



CITY OF SAN ANTONIO

INTERNAL AUDIT DEPARTMENT

**Audit of the City's Impound Facilities –
Vehicle Storage Unit Operations
At Growdon Road And Ninth Street**

Project No. AU05-024

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**AUDIT OF THE CITY'S POLICE FACILITIES
VEHICLE STORAGE UNIT OPERATIONS
GROWDEN ROAD AND NINTH STREET**

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EXECUTIVE SUMMARY

Overview

An audit of the City's Impound Facilities – Vehicle Storage Unit Operations (VSU) at the Growdon Road and Ninth Street locations was initiated based upon an evaluation of operational and financial risks to the City of San Antonio. This included City Council concerns expressed in the summer of 2004 and again in the spring of 2005. Another factor considered was the potential for major changes in the operation, or functions performed, due to proposed legislation during the spring 2005 Texas Session. Financially, the revenue and costs for this business operation each exceeded \$4 million in Fiscal Year 2004. **Exhibit C**, on page 7 of the report, shows the results of VSU operations since Fiscal Year 1994; for ten consecutive years. The VSU cumulative net operating loss for the past eleven years amounted to \$2.6 million.

The VSU is part of the Operational Support Section in the Support Services Division of the SAPD, and a designated Deputy Chief of Police oversees the operation. The VSU is responsible for impounding and storing vehicles that are towed due to accident, arrest, or parking violations. It also stores vehicles that are held as evidence or as assets seized because of possible criminal activities. Revenue is earned through fees charged for impound, storage, towing, police event, hazmat clean-up, and from auctioning unclaimed vehicles. Although many of the fees charged are State regulated, the City Council must approve them. The VSU also oversees the wrecker service contract, hazmat clean-up, and damaged vehicle complaints.

The VSU is operated by the City's Police Department from two locations: the Impound Lot at 3625 Growdon Road, and the Wrecker Unit at 442 Ninth Street. The Impound Lot operates twenty-four hours a day, seven days a week while the Wrecker Unit operates from 7:45 am until 4:45 pm Monday through Friday.

The objectives of this audit were to:

- Evaluate whether the Police Department is adequately monitoring the VSU's business operation;
- Evaluate whether the VSU operation is efficient and effective in order to optimize its financial potential;
- Evaluate whether appropriate management and internal controls are established and in place; and
- Evaluate whether the VSU is in compliance with applicable laws and regulations.

This project began in mid-May 2005 and continued through October 2005. The VSU operation primarily involves impound, release, and auction activities which result in thousands of transaction records. Transaction data was extracted from the mainframe application known as Vehicle Impound Management System (VIMS) in mid-July 2005. Most of the audit transaction testing included the time period of October 1, 2003 through April 30, 2005.

This audit was designed to provide reasonable, but not absolute, assurance on whether internal controls were adequate. This audit included a study of internal controls that are considered relevant in assessing risks within the control environment as established by Management. While the audit was based on discussions, interviews, audit tests of selected documentation, and site visits, the audit tests would not necessarily reveal all internal control weaknesses.

Results in Brief

Oversight of the VSU has not been adequate based on key issues evaluated or identified during the audit:

- Management and supervision were ineffective.
- Performance goals were not established.
- Inventory of vehicles/property was not managed for timely auction processing.
- Important operating procedures did not fully address the controls needed, and/or they were not followed.
- Revenue generation and collection has not been optimized; revenue opportunities were missed.
- Reconciliation of receipts and deposits, or cash handling controls, were inadequate.
- Expenditures appeared to be excessive or greater than necessary; the operation was not efficient.
- The VSU had deficits for ten of the past eleven years. A modest net profit in 2004 was realized only because of an increase in State regulated fees.
- The inability of the VSU to meet its own financial forecasts.
- Actual implementation for VSU capital improvements projects has been practically non-existent.

EXECUTIVE SUMMARY - continued

In addition, the VSU is not in compliance with several City Ordinances/Local Government Code requirements. This is due in part to not periodically recommending updates to the City Council as the business operation changed over the years. It is also due to not requesting authority from Council to address situations where fees approved by Ordinance should be adjusted or waived due to special circumstances.

The recommendations state City Management needs to reevaluate the current method of delivering impound services between privatization and continuing with SAPD Management. Regardless of the VSU service provider, numerous opportunities exist to: improve City receivable collections, streamline impound processes, improve management controls and profitability, and enhance the City's image.

The report recommends the following action plan for the City Manager to improve VSU service delivery and profitability by:

- Realigning the entire business operation, including the wrecker services contract management under a Department other than SAPD;
- Reengineering transactional processes to eliminate duplicate tasks and enhance utilization of existing City computer systems;
- Enhancing the City's image to its citizenship and visitors by upgrading the VSU facilities for customers and employees. Capital improvements should address environmental concerns related to the storage yard, employee working environment, customer waiting area comfort and vehicle security, see **Attachment F** on page 58;
- Improving the internal control environment by:
 - Rigorously tracking the receipt and final disposition of all vehicles;
 - Improving data integrity and general controls for the VIMS, see **Attachment E** on page 57;
 - Establishing a City-wide policy directive regarding the required reporting of allegations/suspensions involving potential theft, fraud, or abuse of City assets;
 - Emphasizing compliance with operational procedures and City Ordinances;
 - Securing City Council's approval for the existing SAPD delegation of authority for making fee adjustments, see **Exhibit J** on page 24 and **Exhibit K** on page 25;
 - Implementing separation of duties related to requesting and approving adjustments to impound charges;
 - Providing additional management review of adjusted charges;
 - Updating operating procedures and controls related to handling of cash proceeds for vehicles auctioned on behalf of other City departments and asset seizures;
 - Updating operating procedures and controls related to accountability for vehicles/property placed in service with City departments or other government agencies, and vehicles/property disposed by destruction/recycling;
- Reevaluating VSU personnel cost structure and the necessity of using Police Officers to perform management and administrative tasks, see **Exhibit Q** on page 34;
- Requiring outstanding parking and capias fees and fines, whenever possible, to be paid in full prior to releasing vehicles from the VSU; and
- Developing a new privatization of the VSU request for proposal process that is more thorough, complete, and broadly advertised.

Based on an Enterprise Risk Assessment, as described in **Attachment G** on page 62, it was determined that the maturity of the VSU's process capabilities were at an Ad Hoc Stage as management seems to be reactionary in monitoring operations rather than benchmarking with other cities to improve processes, see **Exhibit I** on page 15. For people capabilities, management and staff were at different levels. Management was determined to be at the Ad Hoc Stage due to the inappropriate business skill sets of management while staff was at a Repeatable Stage as staff is competent in performing their clerical tasks but many duties are over resourced. Technology and Information capabilities were at a Repeatable Stage due to the present software limitations and lack of useful operating reports.

EXECUTIVE SUMMARY - continued

Privatizing or outsourcing the operation is currently an issue before the City; however, the City Council has several options available to them in making the VSU profitable for the City. Details of these options are discussed along with the findings and recommendations which are located in the Observations, Recommendations, and Responses for the VSU section of this report.

BACKGROUND

The Impound Facilities – Vehicle Storage Unit Operations (VSU) is part of the Operational Support Section in the Support Services Division of the San Antonio Police Department (SAPD), and a designated Deputy Chief of Police oversees the operation. The VSU is responsible for impounding and storing vehicles that are towed due to accident, arrest, or parking violations. It also stores vehicles that are held as evidence or as assets seized because of possible criminal activities. Revenue is earned through fees charged for impound, storage, towing, police event, hazmat clean-up, and from auctioning unclaimed vehicles. Although many of the fees charged are State regulated, the City Council must approve them. The VSU also oversees the wrecker service contract, hazmat clean-up, and damaged vehicle complaints.


The VSU is operated by the City's Police Department from two locations: the Impound Lot at 3625 Growdon Road, and the Wrecker Unit at 442 Ninth Street. The Impound Lot operates twenty-four hours a day, seven days a week, and it is staffed with eleven Police Officers and twenty-one civilian employees. The Wrecker and Auction Unit operates from 7:45 am until 4:45 pm Monday through Friday, and it is staffed with four Police Officers and seven civilian personnel.

When vehicles are impounded, the Police Department calls the vendor for a pick-up. The vehicles are normally taken to the VSU at Growdon Road. If a crime has been committed, they are towed to the Ninth Street location for evidence processing. If the vehicle is towed from the downtown area on a weekday during business hours, then the Municipal Court Facility is the storage location.

In preparing and planning this audit, a variety of documentation was reviewed. This included a presentation on the feasibility of outsourcing that was given by the VSU to the Quality of Life Committee (QLC) in April 2005. During this presentation, a Deputy Chief indicated that the VSU had not been profitable in the past; however, no explanation was given as to why it had been operating with losses. This question was incorporated into the objectives of the audit to evaluate: the Police Department's monitoring of the operation, and the efficiency of the VSU.

Financial information reported to the QLC, **Exhibit A** below, included revenue and expenditures for Fiscal Year 2004. Audit work included comparing this data to the City's general ledger system, known as FAMIS, during this period. Differences noted are shown in **Exhibit B**; however, the cause of the discrepancies could not be readily determined.

Exhibit A

		
Growdon Rd. Facility		
<u>FY 04-05 Costs</u>		
	Act. Rev. FY 04	Est. Rev. FY 05
	\$4,413,295	\$4,824,493*
	Act. Exp. FY 04	Est. Exp. FY 05
Personnel & Operating Cost	\$2,316,636	\$2,819,537
Wrecker Cont. Pmt.	\$1,771,394	\$1,510,930
Total Exp.	\$4,088,030	\$4,330,467
Net Total	\$ 325,265	\$ 494,026
<small>* Fiscal 2005 revenue projections provided by QLC.</small>		

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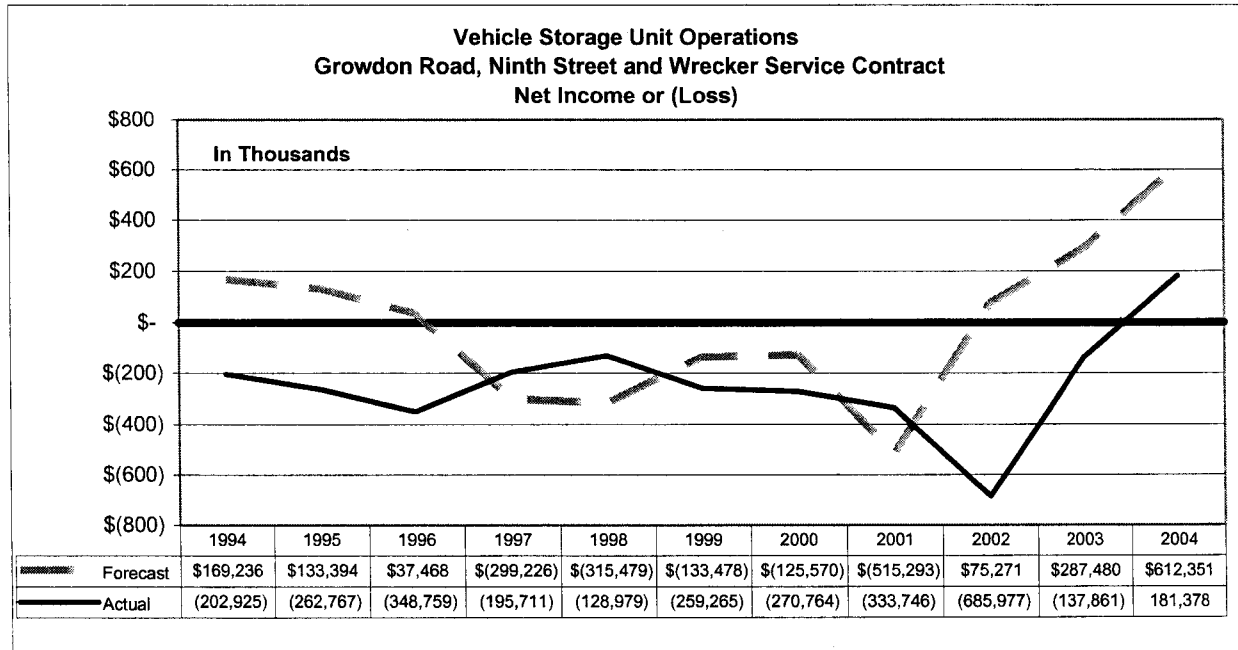
Exhibit B

<u>Comparison of FY 2004 Data</u>			
	<u>Per Presentation</u>	<u>Per FAMIS</u>	<u>Difference</u>
Actual Revenue	\$4,413,295	\$4,461,577	\$ 48,282
Personnel & Operating Costs	2,316,636	2,508,805	192,169
Wrecker Contract Payments	1,771,394	1,771,394	0
Total Expenses	4,088,030	4,280,199	192,169
Net Income	\$ 325,265	\$ 181,378	\$ 143,887
Note: Source FAMIS Reports: Revenues and Expenditures by Fund and Project Report #66 and the Expenditures by Section – Operating Funds Only Report #69.			

Audit of San Antonio Police Department's (SAPD) Impound Facilities - Vehicle Storage Unit Operations (VSU)
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To understand better the Deputy Chief's comments about the lack of profits from the operation, financial data from the Fiscal Years 1994 through 2004 was also analyzed. Forecast and actual net income/(loss) for these years was calculated as depicted in **Exhibit C**.

Exhibit C



Source: (1) FAMIS Reports - Expenditures by Section – Operating Funds Only #69
(2) Revenues and Expenditures By Fund and Project # 66.

Analysis of the revenue and expenditures reported, which confirm the Deputy Chief's comment, show that:

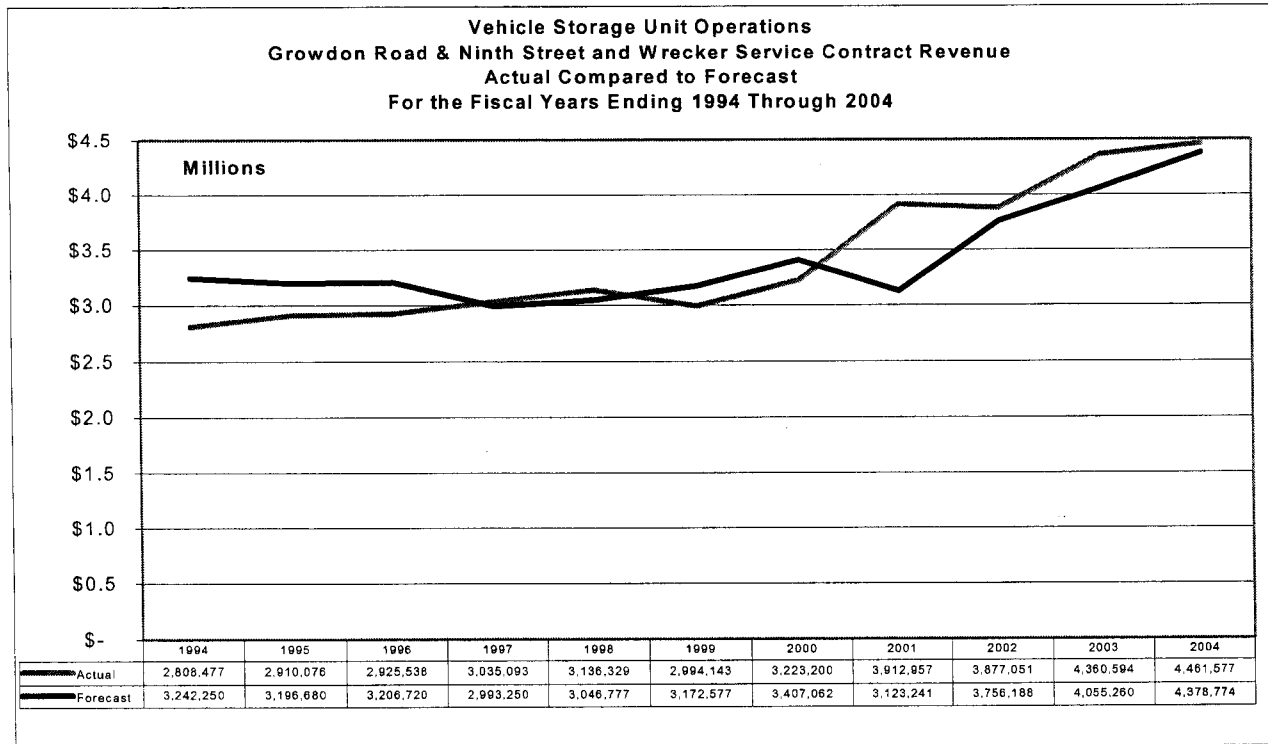
- The VSU operated at losses ranging from \$129,000 to \$686,000 for ten years through Fiscal Year 2003.
- Fiscal Year 2004 had net income of \$181,000 essentially because the City adopted the State regulated increases for storage and notification fees; however, it should be recognized that this result was \$431,000 less than the forecast.
- SAPD Management forecast net losses for five consecutive years from 1997 to 2001.
- Fiscal Years 2001 through 2004 show substantial variances between forecast and actual results because estimates for wrecker contract payments and personal services costs were less than actual expenditures.

City Management provided for this audit an August 2000 memo addressing concerns about the VSU operations. An Assistant City Manager asked a Target Analysis Team to work with the SAPD in drafting a request for proposal to privatize the storage and auction services. However, City Staff recommended that SAPD continue to own and operate the VSU. City Staff analysis indicated that the option to privatize included using VSU Police Officers to assist with monitoring the towing contract, to maintain the chain of custody for evidence, and to augment the private contractor's security system. City Staff's privatization analysis at the time suggested a net (loss) in Fiscal Year 2000 of about \$708,000 using a combined public/private organization structure. This was compared with a \$432,588 net (loss) estimated for Fiscal Year 2000 using a public only structure.

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Revenue and expenditure information was extracted from the City's FAMIS accounting system. Actual and forecast revenue summarized for eleven years is shown in **Exhibit D**. For Fiscal Year 2004, actual revenue reported in FAMIS was over \$4.4 million as compared with a forecast of slightly less than this amount. VSU revenue has several major categories: wrecker service fees, impound fees, released vehicle fees, receipts from auctions, and wrecker service concession commissions to COSA.

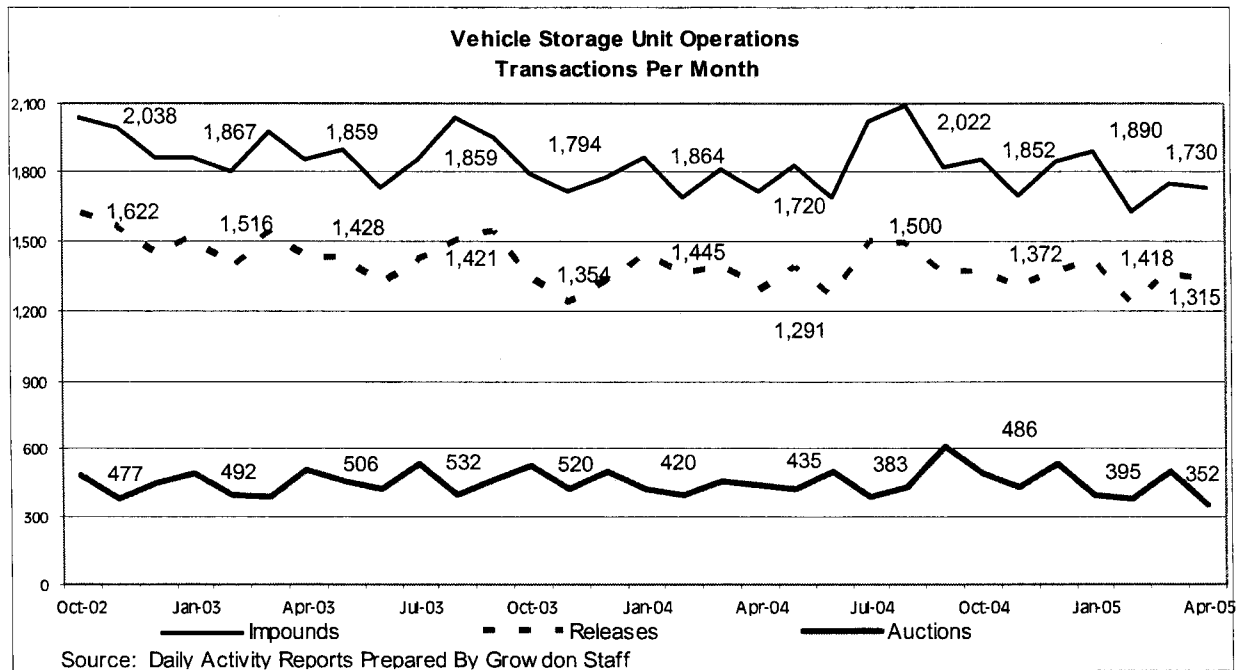
Exhibit D



To understand how revenue is earned and collected by COSA, **Attachments A - 1** and **A - 2** were developed for the audit to provide a high level overview. **Attachment A - 2** gives more information about impound and release business processes, and indicates several control points for these as well. A majority of the vehicles impounded by COSA are taken to the Growdon Road VSU. Between October 2003 and April 2005, almost 35,000 vehicles were towed by the designated wrecker services contractor. The monthly activity during this period ranged between 1,700 and 2,100 vehicles, as depicted in **Exhibit E**. COSA is obligated to pay the contractor for each of these tows and the related services provided.

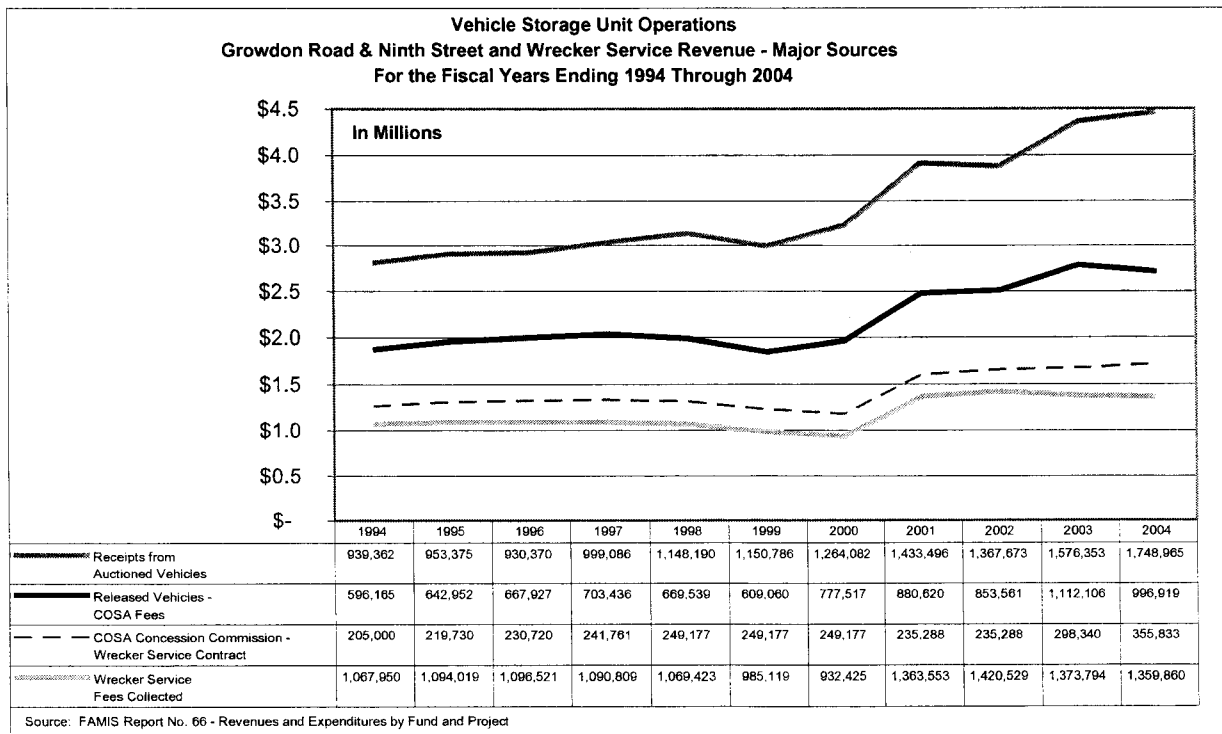
Exhibit E also shows that VSU processed between 1,300 and 1,650 vehicles monthly for release during this period. Almost eighty-two percent of the vehicles impounded during this time were released within five days of intake at the VSU. COSA auctions a range between 350 and 625 vehicles per month for unclaimed or asset seizure property. The monthly transactions for the period do not show significant seasonal/cyclical activity.

Exhibit E



The breakdown of the actual revenue by major category is also summarized in **Exhibit F**. Fiscal Year 2004, receipts from auctions accounted for about thirty-nine percent of VSU and Wrecker Unit revenue. Fees collected for City services, mainly storage charges, amounted to about twenty-two percent of the operations total revenue, while wrecker service commissions were almost eight percent of total revenue.

Exhibit F



Monthly auction activity, as depicted in **Exhibit E**, appeared to be within a consistent range between Fiscal Years 2002 and 2004. Revenue from auctions, see **Exhibit F**, rose from \$1.3 million to \$1.7 million. Impound and release activities occur daily while the auction process is conducted each Wednesday morning.

Asset/property seizure auctions, which are held once per month on a Wednesday morning, are conducted by a separate unit within the Police Department. The auction activity reported includes these transactions. The impounded vehicle counts reflect most of these vehicles, or items such as boats or trailers. The released vehicle counts include some assets seized that are released by court order or through an SAPD procedure. The database used to track activity at the VSU does not include the revenue received for the sale of assets seized because this is credited to a separate City fund/account. It may include partial or none of the revenue for wrecker services and for City services while impounded.

During the audit, four civilian staff from Ninth Street and one Police Officer at Growdon Road was identified as dedicated to auction activities. All auction staff works the day shift Monday through Friday. Civilian staff research vehicle information, prepares paperwork for the auction, and mail required notification letters. The Police Officer conducts the Wednesday auction, assists with some auction administrative tasks, and handles transfers vehicles to City Departments.

Daily activities related to impounding and releasing vehicles, or property, involved twenty-three civilian staff and nine Police Officers at the Growdon Road facility. There are also three civilians and four Police Officers at the Ninth Street location who have VSU activities, including administering and monitoring the wrecker service contract. These duties include manual paper work, data entry, cashiering, deposit preparation, deposit delivery, and general administrative.

Between October 2002 and April 2005, the transactions for releases was approximately 38 percent of the impound activity. Auction transactions accounted for fewer than 11 percent. The inventory at month-end was generally at or above 1,000 unclaimed items. **Exhibit E** graphically demonstrates the general relationships of these activities, except that inventory is not shown.

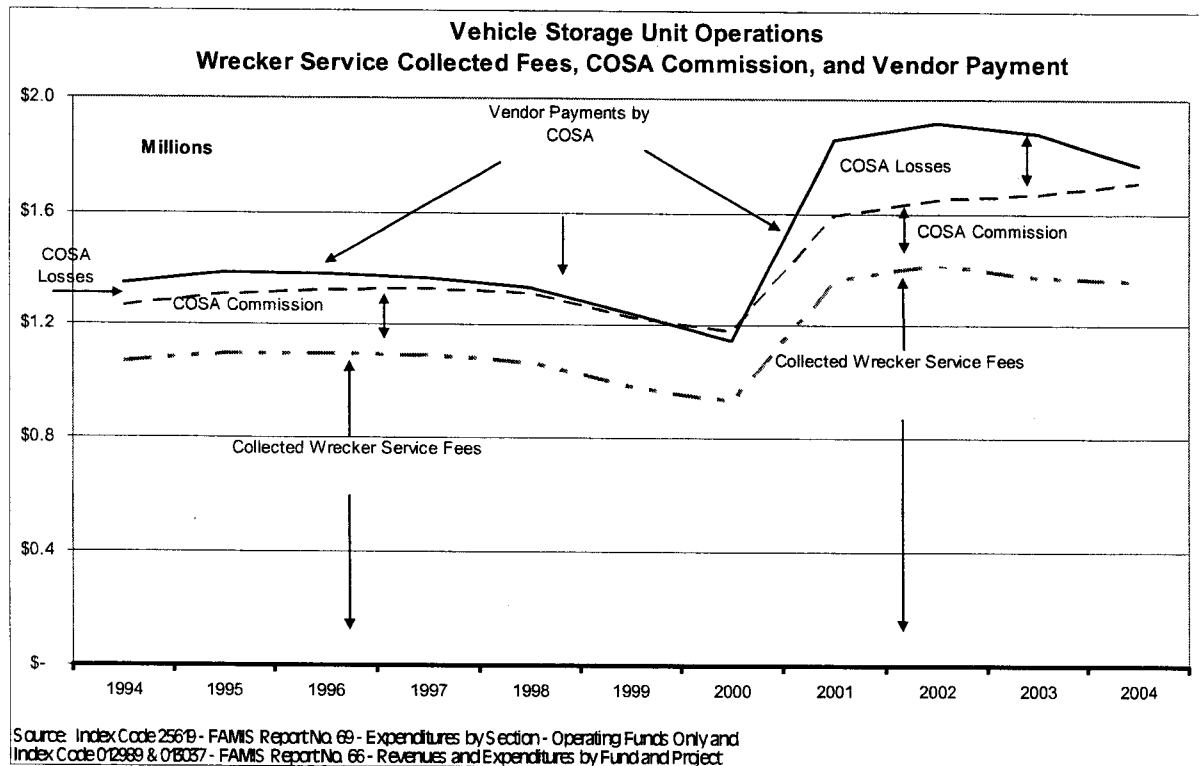
Revenue from release transactions, as shown in **Exhibit F**, was almost \$600,000 in Fiscal Year 1994. It was at this general range until 2000 when the City enacted several fee changes. From that point until 2004 it increased significantly due to additional fee changes. As of 2003, the amount collected exceeded \$1 million, and 2004 was slightly below this.

As **Exhibit F** indicates, wrecker service fees collected have represented a substantial component of VSU operation revenue each year. The \$1 million in fees collected during 1994 accounted for almost 38 percent of revenue. The percent of wrecker service fees to total operation revenue declined in 1999 to 33 percent, and in 2004, the \$1.3 million collected was about 30 percent.

The City has a contract with one wrecker service vendor. The Wrecker Service Contract was re-awarded on April 24, 2003 for a period of seven years. This included a primary contract term through spring 2005, and two 30 month options upon a satisfactory performance evaluation by the SAPD. The option periods are automatic with no action of the City Council. Performance is evaluated by the Wrecker Services Unit Management and reported to the Police Department Chief who advises the City Manager of his decision.

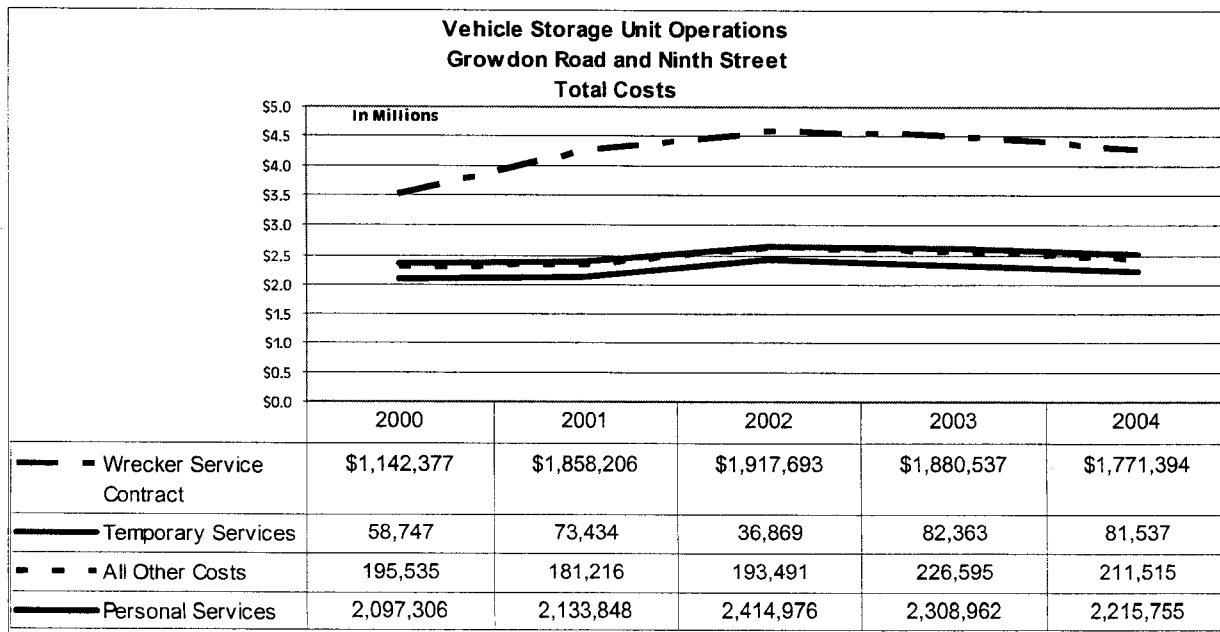
Exhibit G below shows an eleven year trend in revenue collected for wrecker services provided within the City limits. **Exhibit G** also shows the concession commissions earned by the City of San Antonio (COSA) from granting the franchise. During Fiscal Year 2004, COSA received about \$359,000; however, the City paid the wrecker service vendor \$1.8 million. Between 2000 and 2004, COSA appears to have incurred substantial costs for wrecker services above the fees collected by VSU and the concession commissions. This variance was reviewed to a limited extent as part of this audit. Later in the report, this will be addressed further as being somewhat attributable to auction vehicles.

Exhibit G



The VSU's cost structure, as shown in **Exhibit H**, has three major components: personal services (salaries, wages, benefits, and temporary services), the wrecker service contract payments, and other expenses. Of these, personal services and the wrecker service contract payments represented 95 percent of Fiscal Year 2004 costs. A similar ratio occurred from Fiscal Year 2000 through 2003.

Exhibit H



Source: FAMIS Expenditures by Section – Operating Funds Only Report # 66

Source: Expenditures By Section – Operating Funds Only # 69.

Criteria

The purpose of an audit is to compare the conditions during the review and test period to those expected. Various sources are usually available to determine the expected conditions. For this audit, the following criteria were used:

- The Local and State Government Codes: including the Transportation Code, Texas Administrative Code, Occupations Code, and City Ordinances;
- SAPD and Vehicle Storage Unit Standard Operating Procedures Manual dated May 1, 1998;
- Computer information systems standards, specifically control objectives for information related technology (CobiT);
- Annual City Operating Budgets from Fiscal Year 1999 through 2005;
- The SAPD Vision 2001 Plan presented in April 1996, and thereafter referenced in annual budgets;
- The Collective Bargaining Agreement effective between October 2002 and September 2006;
- Generally accepted accounting principles, and those specific to governmental organizations;
- Best practices and trends employed by other cities in Texas and the United States of America; and
- Wrecker Services Contract dated May 28, 2003.

Objectives and Scope

The objectives of the audit were to:

- Evaluate the City and Police Department's operation and monitoring of the VSU business;
- Assess the efficiency and effectiveness of VSU operations;
- Determine internal controls established and in place; and
- Evaluate compliance with applicable State and City codes, laws and regulations.

Since the City issued its request for proposal (RFP) to privatize VSU functions while the audit was in progress, two objectives added were to:

- Review and evaluate the RFP and subsequent clarifying statements; and
- Analyze the responses and compare them to the observations/issues noted during the audit.

The project scope was primarily from October 1, 2003 through April 30, 2005 for detailed testing. However to understand the VSU operation, longer periods were analyzed to determine trends in revenue, expenses and activity. Based upon results of these, data for Fiscal Years 2002 through June 2005 was further reviewed, and tested in limited instances. This broaden approach also included reviewing and evaluating the June 2005 request for proposals to privatize or outsource VSU functions.

The Wrecker Service Contract was evaluated at a high level for collection, COSA Commissions and vendor payments since these substantially impact the VSU's profitability. No detail testing or analysis was done on the individual transactions or the towing service reports level for this audit. This should be addressed in a separate audit due to the volume of data and the processing practices.

Methodology

The specific methodology used for this project generally included the following:

- Gathering and reviewing information and documentation from the City and Police Department;
- Touring the Growdon Road and Ninth Street locations to observe operations;
- Developing a risk and control analysis;
- Conducting interviews and having discussions with the VSU Staff from both locations;
- Evaluating the reliability of the computer systems used by VSU and data extracted for analysis;
- Reviewing Vehicle Impound System (VIMS) data files downloaded on May 30, 2005 and on July 14, 2005;
- Discussing information with other City Departments as deemed necessary;
- Reviewing VSU records, such as Towing Service Record (TSR), Impound Inspection Cards (IIC), VIMS printouts for in-take and releases or auctions, manual cash logs/journals, Daily Activity Reports (DAR), deposit slip copies, a bank statement, general ledger accounting reports, and attachments to these when available;

- Performing and evaluating transactional and other test work of VSU and related data, including activity, revenue, expenses, and staffing;
- Reviewing information obtained, including a report dated September 15, 2004, from the SAPD Special Investigations Division;
- Sampling by statistical and judgmental methods was used for selecting transactions tested;
- Reviewing and analyzing revenue and bank deposit data used in the special investigation of the VSU in 2004;
- Comparing the City's VSU functions with other Texas and US Cities; and
- Determining the effectiveness of the RFP issued in June 2005.

This review was performed in compliance with generally accepted government auditing standards (GAGAS) issued by the U.S. Government Accountability Office (GAO) and other criteria to conform with the *Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing*.

Government Auditing Standards require a peer review of an audit practice at least once every three years by reviewers independent of the organization. The City's Internal Audit Department had a peer review in July 2001 and another in August 2005 while this audit was in progress.

Observations and Recommendations Related To VSU Functions

This review coupled with the transaction test work provided supportable evidence of significant control issues. There are observations that relate to noncompliance with City Ordinances and Department procedures. Also, a variety of errors in calculations, transaction recording, and management reporting were identified. None of these matters appear to involve noncompliance with Texas laws and regulations.

The audit work performed did not disclose specific instances of fraud or theft. The audit process and procedures were designed to provide City Council, City Management and the public with reasonable but not absolute assurance about occurrences of fraud, theft and/or abuse.

VSU transactions were recorded manually and electronically, because of this redundant data records were noted during the audit. A computer application known as the Vehicle Impound Management System (VIMS) was relied on for activity and revenue data examined during this audit. The application and the accuracy/reliability of the data that it contains were key to various issues raised by the audit.

The observations have been summarized for this report to give readers a high level view of the existing conditions in relation to those expected, and based upon the objectives previously mentioned. Issues are presented in the remainder of this report in the order of importance. Some items have been further explained in attachments to the report.

1. Observation - Profitability and Efficiency Impediments

The Police Department (SAPD) has been responsible for operating VSU functions for many years. No specific information was provided during the audit to indicate major involvement or interaction between other City Departments and the VSU. **Exhibits A through H** presented in the background of this report show financial comparisons and trends. The most dramatic data is depicted by **Exhibit C** with eleven years of forecast and actual net income/(loss). Also, **Exhibit G** demonstrates that wrecker service vendor payments have been exceeding the fees collected by the City.

Information on performance measures and balanced scorecard results was requested for this audit. In response, SAPD and VSU Management provided a presentation made in April 2005 to the Quality of Life Committee (QLC), and the Daily Activity Reports (DAR) showing released property financial and statistical data. There did not appear to be any other formally documented measures, results and/or analysis available from the SAPD. No benchmarking of operations was available from SAPD comparing the City of San Antonio with others.

The audit team did contact other cities to obtain performance related data for comparison. It was difficult to obtain any formal analysis; however based on information obtained, **Exhibit I** on page 15 was prepared to reflect several general operational and financial comparisons.

Audit of San Antonio Police Department's (SAPD) Impound Facilities - Vehicle Storage Unit Operations (VSU)
Growdon Road and Ninth Street Locations

Exhibit I

Comparisons With Major Cities						
City	San Antonio	Phoenix	San Diego	Dallas	Austin	Ft. Worth
Population (in millions)	1.215	1.388	1.268	1.208	.672	.567
Employees:						
Civilian	29	*	*	46	2**	21
Police Officers	15	*	*	12	3**	0
Impound Operated By	City	Private	Private	City	Private	City
Hours of Operation	24/7	24/7	24/7	24/7	24/7	24/7
Impound Lot Capacity	1,600	N/A	1,000	3,200	500	1,300
Release 24 hours / 7 days	Yes	Yes	Yes	Yes	Yes	Yes
Average Impounds Per Month	1,818	3,500	4,167	3,778	250	1,500
Average Auction Price Per Vehicle	\$354	N/A	\$450	\$450	\$125	\$437
Auction Performed By	Staff	Private	Private	Private	Private	Private
Name of Private Auctioneer	N/A	Auction Systems Auctioneers & Appraisers	Joe Bradley Auctioneers	Lonestar Auctioneers	Gaston & Sheehan	Lonestar Auctioneers
* = Contractor Operated. #** = Contractor Operated and # of city staff that assist with the auction activity. N/A = Not Available. Phoenix has seven impound lots, and each is operated by different private companies.						
Source: Representatives from the various cities or impound facilities.						

All of the cities shown above operate twenty-four hours per day, seven days per week. San Antonio's VSU lot capacity of 1,600 spaces is about mid-range in comparison to the other cities. Besides San Antonio, Dallas and Fort Worth have city staff perform impound processing. Phoenix, San Diego and Fort Worth do not use Police Officers to operate the impound facilities. Dallas, which has a larger impound lot, uses fewer Police Officers than San Antonio. Other cities shown use private auction services, while San Antonio has a Police Officer perform these duties. San Diego, Dallas, and Fort Worth appear to have a higher average auction sales price than San Antonio. Phoenix could not provide this data, and Austin was significantly less than the others.

Exhibit C, on page 7, shows that for eleven years SAPD forecast revenue and estimated costs for the VSU, including the wrecker service contract that would result in a cumulative net loss of about \$74,000. However, the actual net loss during this time was \$2,645,000. Between 2000 through 2004, SAPD's forecast of revenue less costs was cumulative net income totaling \$334,000, while the actual cumulative net loss amounted to almost \$1,247,000.

A general conclusion from reviewing this high level data was that the City or SAPD Management was not monitoring trends in revenue and expenses. SAPD did not have any analysis of these significant losses which were supported with General Funds.

In 1996, the Chief of Police presented the Vision 2001 Plan (Plan) which addressed a series of challenges for the Department. The Plan indicated a commitment to focus Police Officer resources on public safety while introducing more civilian personnel for non-public safety functions. This report did not specifically mention a complete civilian workforce for the Vehicle Storage Unit (VSU); however, the types of administrative functions described would include this unit. It outlined a process to phase-in the concept of greater reliance on civilian staff, and to have this as an on-going strategy.

The Plan addressed specific VSU maintenance and capital improvement projects required because the Chief of Police deemed the facility "substandard" and "deteriorating". It was anticipated that the improvements would provide greater revenue and thus payback very quickly. There was documentation available on updates to this Plan since its release in 1996.

The City's Fiscal Year 2000 Adopted Budget did include line item references for SAPD to increase/add three City fees to fund the same maintenance and improvements discussed in the Plan. These and other City fee increases/additions for VSU services have been implemented since 2000. City and SAPD Management did not use the funds to improve the standards for customers and employees.

City Management did request a review of VSU operations and functions about five years ago. A memo dated August 2000, recommended that the City continue operating the impound under the SAPD. It sighted that a greater net loss would result in Fiscal Year 2000 if a private operator were used. There would still be costs associated with using Police Officers to assist a contractor. No audit work was performed to validate the information in this staff memo. However, it was noted that the net loss indicated for Fiscal Year 2000, without a contractor, did not compare with the net revenue forecast and cost estimate in the adopted budget.

In planning this audit, information about an investigation of the VSU revenue and deposit handling processes became known. The SAPD Division responsible for the investigation cooperated by sharing its analysis, views and report. The ranking Police Officer for the VSU had concerns about cash handling practices in the summer of 2004. He requested that the investigators examine various VSU records and interview personnel to determine if these concerns were valid. A report was issued to SAPD and VSU Management which indicated needed internal control improvements. There was no indication that this report was shared with the City Manager and the Assistant City Manager.

Auditing and accounting standards have changed in recent years because of corporate irregularities, including fraud and theft. These improvements have begun to require that City Management and City Council be more informed about wrong doing by staff or vendors, especially suspected fraud or theft. City Management is required to have appropriate processes to track and report such events. This would also involve notifying the internal auditor, the Governance Committee, and the external auditors of monitoring activities and results. There did not appear to be a reporting mechanism beyond the SAPD Management of this or similar potential problems.

Most of the SAPD standard operating procedures (SOP) provided for this audit were dated 1998. **Attachment D - 1** and **D - 2** are provided as overviews of VSU procedures/job descriptions evaluated by control risk, content and compliance. It appeared that these have not been reviewed and/or updated during many of the years where the VSU was incurring large net losses. SOP 120 – VSU Goals and Objectives and SOP 122 – VSU Activity and Revenue Reports were among the rather dated material reviewed. This would imply that SAPD Management has not kept up with the fundamental internal controls which resulted in a long period of net losses supported by General Funds.

Based on numerous interviews with VSU personnel and the variety of documented concerns from testing, it does not appear that the forty-four City Police Officer and civilian employees have the requisite skills and training required to operate this business. This is understandable since the Police Academy does not provide Officers training in process improvement, accounting, finance, or quantitative analysis. The civilian positions are essentially administrative or clerical; and as such, these positions do not require advanced skills. No one assigned to the VSU has fundamental management and internal control knowledge/experience that is needed.

The historical financial results reflect that the current operation is not very profitable for the City. More detailed examples and issues of this will follow in this report.

Risks

The City is exposed to greater than average operational and financial risks when the control environment is inadequate. Also, City and SAPD Management allow resources, especially cash, personnel, and facility assets, to under perform. There is no apparent accountability structure in the unit, Department or City-wide for the VSU Operation. As a result, this may have resulted in an opportunity for personnel and customers to commit acts of fraud, theft or abuse which would not be detected because of the weak control environment.

Recommendations

The City Manager should consider realigning the entire business operation, including the wrecker services contract management, under a different Department. This would allow SAPD to focus on public safety matters while limiting their VSU involvement to criminal evidence cases. Departments, such as Asset Management or Contract Services, should have staff skilled in similar activities. This reorganization may include establishing a specific enterprise fund for this activity, and requiring that it must be self-sustaining. The City Manager would still have the flexibility to outsource all or part of the operation if this recommendation was accepted.

The City Manager should require the realigned organization to formally document its management and internal controls. The various business process and application systems would need to be evaluated and documented as well. In doing so, the reorganized unit could eliminate the substantial manual work effort by improving computer applications and controls using VIMS and ERM/SAP.

Current clerical resources are performing duplicative and/or redundant tasks that do not add value or enhance controls. The City Manager should address this matter by allowing the organization to establish new positions requiring broader computer, cash handling and accounting skills, and specific training in the redesigned processes. This would result in relocating some of the existing clerical staff.

Should the City Manager recommend an outsourcing alternative to the City Council, then appropriate contract management processes would be required. These should emphasize performance, accountability, and a reasonable return on the City's assets during the contract term. The City Manager should start the RFP over and improve it from the June 2005 version. The RFP should be broadly advertised, and not simply posted on the COSA web site to ensure a better pool of qualified bidders.

2. Observation – Substandard Impound Conditions

City employees and citizens are exposed to unnecessary risks, and the facility presents an unacceptable public appearance. Upkeep of the storage facility has been neglected for many years. In the April 1996 Vision 2001 Five Year Strategic Plan issued by the Police Department, the performance measures, on page 125, and the capital improvements, on page 159, noted the conditions to be "substandard". The report stated that improvements amounting to \$755,000 were needed to address the water supply and facility replacement. It also stated that the revenue generated by the business operation could support these initiatives.

Subsequently, the Adopted Budget for Fiscal Year 2000 estimated \$288,730 for new fencing, a new pre-fabricated building, and controlled entry features. These improvements were to be partially funded by fee increases of \$2 per day for vehicle storage and of \$6 each for auction notification. At that time, it was noted that neither of these fees had been changed since 1988. Additionally, a new auction processing fee of \$5 per vehicle was implemented in 2000. These fees were increased and collected; however, no action was taken to remedy the deteriorating conditions at the VSU until the summer of 2005.

The conditions noted during the audit, as shown in **Attachment F**, were similar to those indicated in 1996 and again in 1999. These are summarized as follows:

- **Lot Surface – Attachments F – 2 and F – 5**

The VSU has capacity for about 1,600 vehicles, including approximately 1,200 for the primary impound lot. The facility has substantial traffic daily from tow trucks and escorting vehicles. Routine maintenance has not been performed, and as result, the asphalt has deteriorated leaving large pot holes. The pot holes have created a lot of dust from the movement of this traffic. The dust covers the vehicles the clothing of employees and the public. It also gets into the office creating health risks for employees and visitors. Vehicles on the lot for more than a few days are hard to identify due to the accumulated dust.

- **Environmental Issues – Attachments F – 6 and F – 7**

Vehicles that are taken to the storage facility after being involved in serious accidents leak fluids such as motor oil, battery acid, and transmission fluid. VSU Management has not been proactive in containing these fluids or cleaning them up; instead, they drain into and through the broken asphalt and into the soil. The accumulation of these fluids may create an environmental hazard for the City in the future with water and soil contamination, water runoff, and health related issues.

At the request of the City Auditor's Office, the Environmental Service Department (ESD) conducted a high level assessment of the facility. The results of this review indicated that the VSU appeared to be in compliance with state and local environmental rules. However, ESD did make several recommendations as follows:

- To prevent the deterioration of the paved and unpaved surfaces by standing water, the site should be surveyed and properly graded to facilitate drainage.
- A vegetative buffer should be installed adjacent to storm water outfall to collect suspended solids and other contaminants prior to discharge off-site.
- Potholes and unimproved surfaces throughout the storage facility should be improved to facilitate drainage and limit spills from directly impacting surface soils.

- **Drainage – Attachments F – 9 Through F – 12**

During a visit to the storage facility on May 26, 2005, it was noticed that rain water had accumulated. In some places, there were several inches of standing water, and many pot holes were full. This promotes mosquitoes; and it is unhealthy for employees and visitors to walk through. Discussions with staff indicated that this is a recurring problem when it rains. It usually takes days for the water to evaporate or run off the lot. The audit team noted a couple of citizens wading through standing water.

- **Public Waiting Area – Attachments F – 4 and F - 13 through F – 15**

Citizens retrieving vehicles from the storage facility are subject to the weather elements. The Vehicle Storage Unit (VSU) does not provide an indoor waiting area. As a result; the public is required to wait outside during the hot summer or cold winter days, and they must stand in the pouring rain. Public restrooms consist of two portable toilets. Due to the heat, a pungent odor is often present. In addition, clean running water is not available for the public or staff to wash their hands. A pay vending machine is available for the public for water or beverages.

- **Employee Working Conditions – Attachments F – 8 and F - 16 through F – 20**

VSU staff work in an old modular building. In several areas, the vinyl tile is worn so badly that the wooden foundation is exposed. Staff is expected to sit in dust covered chairs to perform their duties. Clean, drinkable water is not available, so bottled water must be provided for employees. A hand sanitizer is used by the staff after washing their hands due to the lack of clean running water. The deficient working conditions have adversely affected the morale of VSU staff.

In addition to the condition of the building, the equipment used by the Administrative Aides is obsolete and inefficient. The computer system network frequently goes down when it rains which requires staff to manually release vehicles. The dot matrix printers available to print VIMS documents are noisy and slow. The facility can not accept credit cards due to problems with the telecommunications lines.

- **Auction Building – Attachment F – 1**

The building used by the auction team each Wednesday is also a shed used by the equipment operators. VSU staff attached a tarp that is now dilapidated, to provide protection from the sun for buyers that register and pay for their purchases. The building is located less than 250 feet away from the primary office; however, the view is obstructed by a shed. This location is not secure when the gates are open during auctions. During the audit, it was observed that an officer is not present until after the auction. These situations result in less than reasonable safeguarding of City resources.

- **Security – Attachments F – 3, F – 21, and F – 22**

The SAPD is entrusted with protecting the personnel, facilities and property impounded. The following issues were noted during one or more tours of the VSU:

- There are no security gates controlling access to the facility. A rope is used to prevent vehicles from leaving the lot.
- During three field visits, it was observed that only a Police Officer on the 3-11 shift wore a uniform. Department procedures (SOP) do allow the nine Officers to wear street clothes as long as their badges and fire arms are in full view. Except during the weekly auction, Police Officers were observed inside the primary office out of the public's view.
- Perimeter alarm – The facility is currently equipped with an alarm system that is attached to the fence; however, the system is not in working condition. Intruders coming over the fence would not be detected.
- The camera monitoring the release window in the primary office building where cash is handled does not work so incidents would not be recorded.

Risks

The VSU on Growdon Road has about twenty-thousand visitors annually. There are thirty-seven employees working on the premises daily, as shown in **Exhibit Q** on page 33. The conditions of the facility have been previously labeled as “substandard” and “deteriorating” by Police Department and City Management. This does not seem an appropriate image for the eighth largest US City. The Police Department's inaction in dealing with the environmental and working condition issues creates potential personnel, property and public liability risks. The problems have gotten worse since the April 1996 strategic plan and since the Budget for Fiscal Year 2000 was approved. Generally, delayed repairs and maintenance result in greater expenditures in the long run. It will be costly to bring the condition of the property and facility back to at least an average condition.

Recommendations

The City Manager should immediately address the general environmental and working conditions issues, including:

- Fully implement the recommendations provided by the Environmental Service Department as a result of the assessment performed for the audit team.
- Start construction of the new building as soon as it's possible and ensure that employees and customers have drinking water, hand washing sinks, and indoor restroom facilities. Also provide for some indoor waiting room space for the public.
- Improve security by fixing the perimeter alarm system, adding security lighting and cameras, and installing security gates at the entrance of the facility. Ensure that this equipment has adequate monitoring and recording functions.
- As long as Police Officers staff the VSU require them to wear uniforms and to show public safety presence.

3. Observation - Management and Internal Control Deficiencies

VSU operations reviewed were considered high risk due to various factors. These included operating from two locations, number of personnel and their related shifts, the volume of activities, the wrecker service contract, and the amount of cash transactions. This level of assessed risk would also suggest that the capabilities of the VSU business functions would be at the "managed" stage using the Auditor's Risk Management Guide developed by Paul J. Sobel, CPA, CIA. **Attachment G** provides more information about the four VSU risk capabilities evaluated using Mr. Sobel's guide. An overall determination from audit work performed was that the strategies, people, and process capabilities examined appeared to be "ad hoc", or the least developed stage. However, the technology strategies seemed to be "repeatable", which was somewhat developed.

Being a high risk operation warrants having formal Standard Operating Procedures (SOP) that are followed. Based upon the length of time the function has existed, these SOP should meet minimum control requirements. Also, VSU personnel should be fully compliant with the SOP. SAPD has many SOP for and/or related to VSU operations; however, from interviews, observations and testing, there are deficiencies in the content of the more critical procedures. In addition, there were various areas of noncompliance with the high risk procedures. A summary analysis of the SOP reviewed during the audit has been included with this report as **Attachments D - 1 and D - 2**.

The primary areas of control deficiencies were:

- Cash/Cash Equivalents – problems noted in handling, safe guarding, reconciliation, bank deposits, and reporting. **Attachments B-1, B-2, B-3, and B-7** indicates examples of cash over/(short), reconciliation, deposit, and reporting variances. VSU Management has not adequately accounted for some cash receipts during the audit period.
- Impounding – placing and releasing "holds" on vehicles is controlled and monitored to an extent; inadequate segregation of duties and authority within VSU and SAPD create the potential for misuse.
- Reducing and/or waiving fees, known as adjusted charges, for wrecker or City services; and related procedures address minimum requirements. These amounts are very substantial as shown in **Exhibit J** and **Observation 3.1**.
- Activity and performance reporting - procedures address minimum requirements; data provided for this was inadequate.
- Maintaining Vehicle Impound Management System (VIMS) – data reliability is questionable because data input, interface or application controls are inadequate; the City has no information technology standards at this time; and procedures address minimum requirements.
- Towing Service Record (TSR) – the form is associated with paying the Contractor for wrecker services; it is a prenumbered form for control purposes; no control log exists for tracking distribution of the blank forms to wrecker drivers; and stock forms are not in a secured area.
- Impound Inspection Cards (IIC) – incomplete data recorded about the condition of vehicles received; narrative descriptions inconsistent with diagram notes; some cards are not accounted for; and missing date/time stamps for events.
- Organization of the IIC filing system – the current filing system is illogical and does not provide for an adequate audit trail of the daily transactions. IIC for each impound activity is stored in a different manner. SOP do not address IIC filing guidelines which has contributed to misfiled and/or lost IIC.
- Owner identification – some forms of identification do not comply with requirements; VSU staff does not consistently comply with procedures; and sufficient owner evidence/proof was not obtained.

Further details of these control deficiencies are either explained later in this report, or are shown in **Attachments B, C, and D**.

Risks

The frequency of instances and the significance of the types of issues noted during this audit indicated an environment of control deficiencies that may have already or can potentially result in opportunities for fraud, theft, or abuse by City Staff or the public. The major impact would be less revenue recognized from the release or auction of impounded vehicles.

Improper controls over Towing Service Record (TSR) and Impound Inspection Card (IIC) forms could potentially result in an overpayment to the Contractor for wrecker services. The City may also be unnecessarily liable to vehicle owners if prior damage to impounded items is not appropriately noted by City personnel on the TSR and/or IIC forms.

The City misses revenue opportunities by allowing vehicles to be removed from the VSU, by other City Departments or other local, state or federal agencies at no charge. There are no records as to the eventual disposition by other City Departments, including any revenue obtained at that time.

Recommendations

The City Manager should require SAPD, or whoever operates the VSU, to ensure that substantial improvements are made in all of the areas where internal control deficiencies were noted. Compliance with existing SOP should be achievable sooner than some others. The City Manager should assign specific responsibility for overseeing a corrective action plan to someone outside of SAPD who has appropriate knowledge and experience with internal controls.

If VSU functions are totally or partially outsourced, some of these internal control issues would still need to be addressed.

3.1 Observation – Inadequate Management and Internal Controls For Adjusted Charges

During the audit period, the VSU impounded almost 35,000 vehicles/property items; released about 22,000 units; and auctioned over 8,500 items. The City Council has approved various fees that can be charged to vehicle owners and/or buyers. These have been in the form of ordinances presented by the Police Department Management as part of the annual operating budget process. The implication to the City Council was that the City would recover fees for all transactions.

Police Department procedures for the VSU, which have been referred to previously as SOP, mention "Adjusted Charges". The applicable SOP are:

- SOP No. 120 Goals And Objectives - specifies VSU performance measurements including activity related to "Adjusted Charges".
- SOP No. 122 Activity And Revenue Reports - specifies responsibility of the VSU management to review the "Adjusted Charges" Report on a monthly basis.
- SOP No. 207 Adjusted Charges / No Charge - specifies processes to reduce or drop impound fees on vehicles after proper authorization.

An examination of the "Adjusted Charges" for the period October 1, 2002 through June 30, 2005 showed that the total adjustments to actual fees for released vehicles were approximately \$1,154,000 or \$35,000 per month, see **Exhibit J**. Adjustments represent the difference between the anticipated fees calculated per the Vehicle Impound Management System (VIMS) and the receipts collected which are entered into the system.

Exhibit J

Summary of VIMS Adjusted Charges for Released Vehicles For the Period October 1, 2002 though June 30, 2005				
Fiscal Year	Per VIMS Total Accounts Receivable - Amount Due	Per VIMS Total Revenue - Amount Collected	Auditor Total Adjusted Charges	Calculated Percent of Amount Due
2003	\$ 3,008,529	\$ 2,566,360	\$ (442,169)	(15%)
2004	\$ 2,888,942	\$ 2,355,252	\$ (533,689)	(18%)
2005 (1)	\$ 2,293,452	\$ 2,114,812	\$ (178,639)	(8%)
Totals	\$ 8,190,922	\$ 7,036,424	\$ (1,154,498)	(14%)
Monthly Average	\$ 248,209	\$ 213,225	\$ (34,985)	(14%)

Source: Vehicle Impound Management System (VIMS) data extracted July 14, 2005.

Note: (1) Fiscal Year 2005 is through June 30, 2005

Adjustments have been made to fees associated with impound vehicles through several methods. For example, VSU Police Sergeants are authorized by the Chief to make adjustments to the impound fees. The Chief of Police has also authorized adjustments to impound fees by a Police Lieutenant or above Officers outside of the VSU organizations if they complete SAPD Form No. 113-VRA. SOP also indicates that charges would be adjusted if a vehicle was released due to a court ordered action. Police Officers may adjust charges when a vehicle is impounded if no arrest occurs, such as suspicion of driving while intoxicated. The SOP currently allows this without formal documentation.

The rather high percentage of forty-one for "Other " transactions as shown in **Exhibit K** escalates as an issue when the VSU did not follow procedures in tracking and reporting adjustments monthly and annually.

Exhibit K

Summary Of VIMS Adjusted Charge Records By Release Type (1) For The Period October 1, 2002 Through June 30, 2005				
Fiscal Year	Release Type			Total
	113-VRA	Court Order	Other	
2003	\$ 36,702	\$ 157,572	\$ 247,896	\$ 442,170
2004	\$ 174,544	\$ 208,201	\$ 150,944	\$ 533,689
2005 (2)	\$ 55,470	\$ 52,244	\$ 70,925	\$ 178,639
Totals	\$ 266,716	\$ 418,017	\$ 469,765	\$ 1,154,498
Percent	23%	36%	41%	100%

Note: (1) Release type was determined by the audit staff using the following fields from VIMS: Release Method, Action By, Auction Authority, Add Hold Authority, and Remove Hold Authority.

Note: (2) Fiscal Year 2005 is through June 30, 2005

A review of the "Release Reason" descriptions in VIMS for "Adjusted Charges" during Fiscal Years 2003 through June 2005 indicated that of 2,056 total adjustments, about 694 transactions had what appeared to be a valid release reason description that is a 113-VRA or a Court Order, as authorized by the SOP. For the 1,362 remaining "Adjusted Charges", the reasons could not be determined, see **Exhibit L**.

Closer analysis of the "Adjusted Charges" transactions indicated that about seventy-five percent of the VIMS calculated wrecker and City services fees were not collected for the 2,056 released vehicles/property. While the SAPD procedures gave guidelines for the VSU staff, there was no City Council ordinance to approve or authorize these adjustments. In selecting some of these records and the supporting documents for further review during the audit, it appeared that there was inadequate segregation of duties with regard to some of these transactions.

The "Other" category, as shown in **Exhibit L**, appeared highly subjective and discretionary. There was little to no documentation with the IIC records pulled for review or in the VIMS database. The routine audit trail that should be readily available to explain these exception transactions was missing or substantially incomplete. This could or may have created an environment for potential employee abuse or misuse of the "Adjusted Charges" process.

The "adjusted charges" appeared to be rather complex because of criminal cases and/or evidence custody. However, there were some instances within this group that did not seem appropriate or following existing SAPD procedures. This included about twenty-seven records for vehicles/property that were transferred to City Departments and/or other federal, state or local agencies. Procedures state that the auction process should be followed, and that these items should be advertised at least six times before being pulled for City/Agency use.

Also, there were about twenty items, such as engines, body parts, and trailers that were given to a firm for dismantling and recycling. These records were handled as "adjusted charges" which did not appear compliant with SAPD procedures and for which no Council ordinance exists. VSU Management indicated that the salvage firm is doing the City a valuable service by hauling off this "junk". While this may be somewhat valid, there is no information to support that the salvage company assumed custody of and disposed of these items. There may be environmental and legal issues that have not been completely evaluated regarding some of these items, such as leaking batteries, engines, or brakes.

Court order documents reviewed indicated that this group included several engines worth over \$500 each which the VSU records state were thrown in a dumpster. This may be accurate and a prudent way to handle such material; however, there should be a better documented process.

Additional analyses of "adjusted charges" related to release reasons, amounts and shifts are available in **Attachments H-1 through H-4**, pages 63 through 67 of this report.

Exhibit L

Summary Of VIMS Adjusted Charge Records By Release Type For the Period October 1, 2002 through June 30, 2005						
VIMS Extracted Data					Auditor Calculated	
Fiscal Year	Release Type*	# of Records	Accounts Receivable-Amount Due	Revenue-Amount Collected	Adjusted Charges	Percent of Amount Due
2003	113-VRA	111	\$ 41,396	\$ 4,694	\$ (36,702)	89%
2003	Court Order	87	\$ 165,532	\$ 7,960	\$ (157,572)	95%
2003	Other	678	\$ 433,072	\$ 185,176	\$ (247,896)	57%
Sub-Total	12 months	876	\$ 640,000	\$ 197,830	\$ (442,170)	69%
2004	113-VRA	188	\$ 186,777	\$ 12,233	\$ (174,544)	93%
2004	Court Order	103	\$ 218,011	\$ 9,810	\$ (208,201)	96%
2004	Other	392	\$ 208,089	\$ 57,145	\$ (150,944)	73%
Sub-Total	12 months	683	\$ 612,877	\$ 79,188	\$ (533,689)	87%
2005 (1)	113-VRA	163	\$ 67,482	\$ 12,011	\$ (55,470)	82%
2005 (1)	Court Order	42	\$ 59,709	\$ 7,465	\$ (52,244)	87%
2005 (1)	Other	292	\$ 168,177	\$ 97,251	\$ (70,925)	42%
Sub-Totals	9 months	497	\$ 295,368	\$ 116,727	\$ (178,639)	60%
Grand Totals	33 months	2,056	\$ 1,548,245	\$ 393,745	\$ (1,154,498)	75%
Monthly Average		62	\$ 46,917	\$ 11,932	\$ (34,985)	75%

Note: (1) Fiscal Year 2005 is through June 30, 2005

*Release type was determined by the audit staff using the following fields from VIMS: Release Method, Action by, Auction Authority, Add Hold Authority, and Remove Hold Authority.

Risks

The adjustments for the period October 1, 2002 through June 30, 2005 exceeded \$1.1 million. On average there were about 62 adjustments per month made for fees related to released vehicles. See **Exhibit L**. There is no evidence that the City Council has authorized the City Manager and/or the Police Chief to reduce or waive fees that have been previously approved for collection by an ordinance. Improper and/or unauthorized "adjusted charges" will result in missed opportunities for revenue.

City/Agency Use transfers and "destroyed items" procedures are inconsistently applied and not properly documented which can lead to the circumvention of internal controls that result in the misappropriation of assets.

Recommendations

The City Manager should meet with Police Department's Management and the City Attorney to add an Ordinance granting the Police Chief the authority and circumstances in which to make adjustments. The City Manager should direct the VSU's management to send daily and monthly reports of adjustments which includes the date of adjustment, amount, accumulated totals, reason, and who authorized the adjustment. Adjustments should also be included on the Daily Activity Reports for proper reconciliation to daily receipts.

Police Department Management should develop standard codes/descriptions related to adjustments for released vehicles. These codes/descriptions should be used when completing the Vehicle Impound Management System's release method description field. VSU's monthly adjusted charge reports should be modified to include detail and summary description data. This will provide VSU Management with data to perform effective managerial review of adjustments. In addition, Police Department Management should confirm that monthly reports are created and reviewed in a timely manner.

3.2 Observation – Compliance With Methods Of Payment

Municipal Code Part II, Article III, Section 25-43 (Ordinance 35224, 2-23-67) in **Exhibit M** below requires that all auction sales shall be for cash. Currently, auction staff accepts cash and checks as forms of payment for abandoned vehicles. Staff attempts to mitigate the risk of accepting a bogus, or an insufficient fund check, by calling the bank to verify the availability of funds. This does not mean that funds will be in the account when the check processes.

This Municipal Code Section does not cover the other VSU activities but it will accept cash and checks for fines/fees when an impounded vehicle is released. At this time, VSU can not accept credit card payments for release transactions due to the telecommunication service limitations at the facility on Growdon Road.

Exhibit M – Municipal Code Part II, Article III

Sec. 25-43. Sale; bill of sale; persons prohibited from bidding.

The public auction provided for in section 25-16 shall be conducted at the place and hour designated in the notice and all sales shall be for cash. Said property shall be sold as is, and a bill of sale, if requested, shall be given to the purchaser but no title transfer or title papers of any nature shall be furnished. City employees or members of their immediate families shall not be permitted to bid on any of the above items and no person that is delinquent in the payment of city property taxes shall be permitted to bid on any of the above items nor shall any sale of said items be made to such person.

(Code 1959, § 32-17; Ord. No. 35224, § 4, 2-23-67)

Risks

Auction staff is not in compliance with Municipal Code Part II, Article III, Section 25-43. The City may want to consider amending the code to allow for other secure methods of payment and to reflect current business practices. Risks associated with insufficient funds or fraudulent checks could be mitigated by immediate electronic presentment. VSU could also begin accepting debit or credit cards; cashier or bank checks; and money orders.

Recommendations

The City Manager should ensure that SAPD/VSU personnel comply with City Ordinances. If this code is no longer applicable, or if it does not reflect the most cost effective method of accepting payments, then the City Manager should recommend appropriate changes/updates. Payment methods that offer the best protection for the City against fraud or theft should be given consideration when recommending these changes.

3.3 Observation – SAPD Special Investigation Of Cash Controls

The audit team became aware that an investigation had recently been performed by the Special Crimes Section of the SAPD. VSU Management contacted the Special Crimes Section with concerns about reconciliation discrepancies between daily cash receipts and actual bank deposits. The work performed by the Detectives covered the period between May 31, 2003 and June 30, 2004. In performing their investigation, the Detectives determined that matching daily receipts to the bank deposits was impossible because the deposits were not made in a timely manner. The Detectives' analysis could not determine if there were any discrepancies because the daily receipts were stored in the safe for several weeks before being commingled and batched for deposit. Per the Detectives, during this time, the safe combination was known by all of the Police Officers at the site.

The following issues were noted from review of this work as part of the audit.

- A copy of the Special Crimes report was not released to the City Manager, Municipal Integrity, or to the City Auditor. With the Special Crimes Section performing the investigation of another SAPD Unit, their independence and objectivity may be questioned by the public.
- A review of the Special Crimes Section work showed seven instances where amounts used by the Detectives in their analysis did not agree with the supporting documentation. Audit test work comparing this data to the Vehicle Impound Management System (VIMS) and Daily Activity Reports noted a \$2,000 shortage in February 2004 that was not detected by the Special Crimes Section analysis. It appeared impossible to determine if any funds were missing due to the length of time and erratic commingling of receipts occurred prior to deposit
- The audit team did evaluate the procedural changes made by VSU based upon the report by Special Crimes. Action was taken to deposit proceeds more timely; however, the process implemented was not cost effective. Two Police Officers began hand carrying the deposit to the bank each day which is about a two hour per day process. Using the armored car annual contract, a daily pickup of the deposit would cost about \$16. Also, the Administrative Assistant who did not follow daily deposit procedures was relieved of many duties based upon the compliance concerns.

Risks

An allegation/suspicion of fraud, theft, or abuse involving large amounts of cash should be reported immediately to the City Manager, Municipal Integrity and the Internal Audit Department. Using assistance from experienced professionals with backgrounds in accounting controls may have provided a more thorough assessment of the internal control issues and analysis of the financial data.

Outside parties may question the objectivity of SAPD Management using its own investigators to evaluate a unit within the Department. The written report of this investigation did not address the inadequacy of VSU Management actions which directly contributed to the events being investigated.

Recommendations

Since November 2002, the City Council and Management have become more responsible under revised generally accepted accounting and financial reporting standards for antifraud activities. The City Manager should issue a City-wide policy directive regarding the required reporting of allegations/suspicions involving potential theft, fraud, or abuse of City assets. This directive should include guidelines for investigation, and for notifying the Mayor, City Council, the Internal Audit Department, and the City's external auditors. This new directive should also state the antifraud processes and controls that the City Manager will require of City Staff to detect and report fraud, theft and/or abuse.

The City Manager should require the Finance Department to determine if VSU Management should reinstate the use of daily contract armored car deposit transports in lieu of using SAPD Officers for this task.

The City Manager should require that the Finance Department evaluate the processes used by VSU, and that it develop enhancements to the City-wide cash handling administrative directive in the areas of daily reconciliation, cash over and short reporting, and required Department Management reviews of both .

3.4 Observation - Inadequate Cash Controls For Vehicles Auctioned By VSU For Other City Departments

When a City Department, such as the Human Resources (HR)-Risk Management Division, needs a vehicle auctioned, they contact the VSU to make the arrangements. These infrequent sales occur only as necessary, and become a part of the Wednesday auction process. According to the Police Officer-in-Charge, sale proceeds are not included with the other abandoned car auction receipts. Also, the Vehicle Impound Management System (VIMS) does not reflect any information regarding the sale of these items.

Historically, the cash proceeds are given to a representative of the Department, such as the HR-Risk Management Division. VSU auction personnel do not record the sale with a receipt, or other documentation of the transfer proceeds. The individual receiving the cash must follow through by depositing the funds in the bank, or by delivering them to the Cashier Area in the Finance Department. It is also their task to prepare the proper accounting transaction entry for the receipts. The Director of Human Resources expressed her concerns about the reasonableness and efficiency of this process even if these transactions are infrequent.

No audit work was performed to determine or verify Risk Management's procedures for the subsequent processing of these monies.

Risks

There is no accountability or audit trail for the vehicles auctioned by VSU for another Department. Handing cash to an individual with or without a receipt creates unnecessary risk that the money could be misappropriated, lost or stolen.

Recommendations

The City Manager should immediately issue a directive for SAPD to revise VSU procedures to handle these transactions. All auction proceeds should be receipted, recorded and deposited at the bank in tact. VSU staff should create appropriate sales/internal order in the City's ERM/SAP System to credit the proper general ledger accounts for the funds collected for other Departments, such as the HR-Risk Management Division. VSU should then provide the applicable Department or Division with the accounting record reference data and bank deposit receipts for its transactions.

3.5 Observation - Inadequate Cash/Internal Controls For Asset Seizure Auction Proceeds

The SAPD Asset Seizure Unit handles the auction of property impounded at the VSU because of criminal activity. These SAPD Officers conduct the auction process as necessary on Wednesday prior to the abandoned car auction. These vehicles/property items were recorded in Vehicle Impound Management System (VIMS) when they were impounded. There are charges for wrecker services and City services while impounded. Auction proceeds are recorded in VIMS; however, the VSU does receive reimbursement for wrecker and/or City services related to these property items. SAPD Asset Seizure Unit personnel handle the bank deposit, and the recording of these auctions in the City's accounting records. **Attachment B – 3** demonstrates that these sixty transactions worth over \$118,000 were a reconciliation difference when comparing VIMS receivables to the cash collected.

Audit test work performed was not designed to determine or verify that SAPD properly handled the proceeds and correctly recorded the entries. **Exhibit N** summarizes the transactions between October 2003 and April 2005 for asset seizure auctions where the proceeds amounted to \$118,478. It summarizes actual wrecker and calculated City service fees of \$4,406 for the sixty property items auctioned; however VSU was not reimbursed for these.

Exhibit N

Vehicle Storage Unit Operations Asset Seizure Vehicles October 1, 2003 to April 30, 2005							
Month In VIMS	# of Vehicles or Items	Wrecker Service Fees	City Services Fees	Total Service Fees	Auction Proceeds	Auction Processing Fee	Total Collected
November 2003	16	\$1,127	\$ -	\$1,127	\$26,200	\$160	\$26,360
March 2004	8	711	15	726	18,725	80	18,805
May 2004	5	424	15	439	17,950	50	18,000
July 2004	7	524	-	524	13,400	70	13,470
September 2004	9	564	15	579	11,425	288	11,713
December 2004	10	612	-	612	16,750	320	17,070
March 2005	5	384	15	399	12,900	160	13,060
Total	60	\$4,346	\$60	\$4,406	\$117,350	\$1,128	\$118,478
Source: VIMS. Data extracted July 14, 2005.							

Risks

The audit trail for asset seizure auction proceeds is incomplete under current practices. City Departments and other agencies have not properly reimbursed VSU for its out-of-pocket costs, including the wrecker service fees. Also, the methods used for disposing of these items and the related handling of cash proceeds result in unnecessary risks to the City, and potentially other agencies, that the funds may not be properly accounted for and distributed as required by law.

Recommendations

The City Manager should immediately issue a directive for SAPD to revise VSU procedures to handle these transactions. All auction proceeds should be receipted, recorded and deposited at the bank in tact. VSU staff should create appropriate sales or internal orders in the City's ERM/SAP System to credit the proper general ledger accounts for the funds collected for asset seizure sales. The City Manager should ensure that the VSU is reimbursed for its costs from the auction proceeds. VSU should provide the Asset Seizure Unit with the proper accounting record and bank deposit receipts for their transactions, including deductions for reimbursements. As necessary, SAPD can request that a check be issued to another agency to share the confiscated property proceeds.

3.6 Observation – Inadequate Accountability for Vehicles/Property Converted To City or Other Agency Use

Impounded vehicles are tracked in the Vehicle Impound Management System (VIMS) from the in-take process through release or auction. A practice has evolved where City Departments, such as SAPD, Parks, or Fleet Management, can review unclaimed vehicles/property to select any that they would like for their use. The Police Officer who conducts the auction is contacted by almost any means to request a vehicle/property transfer. According to this Police Officer, no written authorization/documentation is received before the vehicle/property is released.

SAPD has a procedure, SOP 219 – Converting Vehicles to Agency Use; however it does not address the proper authorization or documentation required. SAPD apparently determined that a one dollar sale amount would be used in VIMS for recording purposes only. SOP 219 requires that a vehicle be posted for auction five times before a transfer can be considered.

VIMS does not indicate to whom or to which Department the vehicle/property was transferred. From the population of auctioned vehicles during the audit period, there were twenty-one vehicles valued at one dollar and apparently reassigned for City use. **Exhibit O** summarizes the transactions noted during the audit period. VIMS data indicated that the wrecker and City services fees for these vehicles/property amounted to \$2,051. While it reflects total auction proceeds of \$341, no funds were collected; and **Attachment B - 3** shows that VIMS has a reconciling difference due in part to these transactions.

Several of these vehicle/property items were researched to determine if the units were still in use by a City Department. It was very difficult to locate a particular vehicle selected for verification that was in use by the SAPD. It would appear that these vehicle/property items could be missing based upon the practices in place, and that this would not be detected, reported and recorded by any Department.

Exhibit O

Vehicle Storage Unit Operations Vehicle/Property Items Transferred To City Departments Or Another Agency For Its Use October 1, 2003 to April 30, 2005							
Month In VIMS	# of Vehicles or Items	Wrecker Service Fees	City Services Fees	Total Service Fees	Proceeds	Auction Processing Fee	Total Uncollected
October 2003	1	\$ 54	\$ -	\$ 54	\$ 1	\$ 10	\$ 11
November 2003	5	756	30	786	5	50	55
January 2004	4	136	90	226	4	40	44
February 2004 (1)	4	348	25	373	4	40	44
April 2004	1	66	30	96	1	10	11
August 2004	1	68	15	83	1	10	11
November 2004	1	70	30	100	1	32	33
December 2004	1	56	30	86	1	32	33
February 2005	1	56	10	66	1	32	33
March 2005	2	136	45	181	2	64	66
Total	21	\$1,746	\$305	\$2,051	\$21	\$320	\$341
Source: VIMS. Data extracted July 14, 2005.							
Note: (1) Two of these items were recorded as boats in VIMS and were pulled to destroy.							

Generally accepted accounting guidelines for governmental entities require that assets acquired this way be recorded at fair market value. The City has not been applying this principle to these donated assets for accounting and/or budget purposes. For example, in November 2003 a 1991 Buick was transferred to the SAPD Vehicle Crimes Unit. The City's Fleet Management System, known as FASTER, reported that the auto was place in service in May 2003. The vehicle was impounded in November 2002 under the category "recovered – stolen vehicle". A court order dated December 12, 2002 awarded this recovered vehicle to the City of San Antonio. At that time, the inventory value reported to the court was \$3,200. The City's FASTER System shows an acquired cost of \$1 as of May 2003. A comparison check with the National Automobile Dealers Association (NADA) database in November 2005 showed that this make and model car currently has a low retail value of about \$1,375.

Risks

There is no apparent accountability or audit trail for the vehicle/property items placed in use by the City, or given to another agency. Based on this practice, vehicle/property items could be misappropriated.

The value of one dollar recorded in VIMS is not reflective of the true retail or wholesale value. The City is missing opportunities for revenue when these items are not auctioned. The City could easily assign a reasonable value to charge City Departments or outside agencies to recover some of the wrecker service and City fees incurred for these items.

Recommendations

Every vehicle/property item should be properly accounted for that goes through the facility; thus an audit trail should be available that tracks the vehicle from impound to release, auction or transfer. This can be done and still ensure that confidential information is protected if necessary.

Accordingly, the City Manager should issue a City-wide administrative directive that specifies a formal process to determine when and if it is appropriate to divert unclaimed vehicle/property items instead of auctioning them. This should include assessing a reasonable charge to the Department for the retail value of the used vehicle/property item. This directive should indicate the approval that Departments must obtain to requisition these assets. The VSU should require written evidence with sufficient data for input into VIMS to reflect the location of the vehicle/property item, the value, and who authorized the release from the facility.

3.7 Observation – Inadequate Accountability for Vehicles/Property

Impounded vehicles are tracked in the Vehicle Impound Management System (VIMS) from the in-take process through release or auction. SAPD has various procedures (SOP) for the Vehicle Storage Unit (VSU) regarding release transactions, auction procedures, adjustments to the approved service fees, and collecting fees. VSU practices included disposing of property due to its deteriorated condition, burned or stripped. SOP 210 – Auction Procedures indicates in Section Eleven that these vehicles, or parts, will be sold to a dismantler.

In reconciling the VIMS data for the audit period, thirty-seven vehicles/property items were disposed of. They appeared to have been given to two firms for destruction and/or recycling. **Exhibit P** summarizes these transactions which are somewhat infrequent. VIMS reflected \$2,309 for actual wrecker and calculated City service fees for these items. VIMS also reported that \$1,202 had been received as auction proceeds and processing fees for these vehicles; however, no funds were deposited/collected. **Attachment B – 3** shows that these items resulted in reconciling differences between VIMS auction receivables and collections.

In addition, one dismantling firm was chosen to remove thirty-six items while another company was only given one.

Exhibit P

Vehicle Storage Unit Operations Vehicles Transferred To Two Firms For Disposal October 1, 2003 to April 30, 2005							
Month In VIMS	# of Vehicles or Items	Wrecker Services Fees	City Services Fees	Total Services Fees	Proceeds	Auction Processing Fee	Total Proceeds Uncollected
January 2004	15	\$ 908	\$ 60	\$ 968	\$274	\$150	\$ 424
February 2004	6	305	15	320	322	60	382
March 2004	6	362	-	362	6	60	66
March 2005	10	597	62	659	10	320	330
Total	37	\$2,172	\$137	\$2,309	\$612	\$590	\$1,202
Source: VIMS. Data extracted July 14, 2005.							

Risks

The accountability and audit trail for these vehicles/properties are incomplete. The value recorded in VIMS is misleading and incorrect which could lead to a conclusion that the proceeds may have been diverted. Based on this practice, vehicles/property could easily be misappropriated for personal use.

The City may be missing opportunities for revenue when these items are not competitively sold to dismantling firms.

Recommendations

The City Manager should ensure that every vehicle that goes through the facility is properly accounted for, including those destroyed or recycled, by issuing a City-wide directive. The VSU procedures should be improved to better identify the reasons for using the destruction/recycling process instead of the competitive sale as scrap material. The manner of selecting a dismantling firm for vehicle/property disposition should be documented. This should include recording the proper information in VIMS for these transactions so that appropriate reconciliations of service fees and proceeds can be performed without showing unnecessary reconciliation variances.

4. Observation – Use Civilian Staff Instead Of Police Officers To Reduce Costs

Profitability of the VSU operation is a reflection of the City and SAPD's efforts to reduce or control the growth of expenses. As mentioned in the background and as shown in **Exhibit H**, personnel services and related benefits accounted for fifty-four percent, or more than \$2 million, of the total direct costs in Fiscal Year 2004.

For the audit, a summary of the personnel for VSU operations at Growdon Road and the Ninth Street locations was prepared. **Exhibit Q** below shows the filled positions by shift and position. It is important to note that shift work is required because the City must be able to release impounded vehicles 24/7. The organization includes fifteen Police Officers whose Calendar Year 2004 payroll was over \$1.1 million. Twenty-nine civilians are employed for VSU operations whose 2004 payroll amounted to about \$691,000.

For this audit, VSU job descriptions were reviewed and are summarized in **Attachment D – 2**. The civilian employees are administrative staff and equipment operators. The positions authorized do not include accountants, business analysts, and/or supervisors with advanced education. During the review, Police Officers appeared responsible for the analytical and supervisory responsibilities in addition to their more traditional public safety duties.

Exhibit Q

Vehicle Storage Unit Operations Growdon Road and Ninth Street Filled Positions by Shift and Annual Payroll				
Positions:	Shift 1 7 am to 3 pm	Shift 2 3 pm to 11 pm	Shift 3 11 pm to 7 am	Total All Shifts
Police:				
Lieutenant	1			1
Sergeant	2	1		3
Detective	1			1
Officers	4	2	3	9
Cadet	1			1
Civilian:				
Transportation Inspector		1		1
Administrative Assistant	3	1	1	5
Administrative Aide	9	7	4	20
Equipment Operator	3			3
Total	<u>24</u>	<u>12</u>	<u>8</u>	<u>44</u>
Civilian (Six at 9 th Street)	15	9	5	29
Police (Four at 9 th Street)	9	3	3	15
Total	<u>24</u>	<u>12</u>	<u>8</u>	<u>44</u>
2004 Approximate Annual Salaries & Wages Per Shift:				
Civilian	\$ 380,000	\$ 192,000	\$ 119,000	\$ 691,000
Police	624,000	273,000	210,000	1,107,000
Total	<u>\$1,004,000</u>	<u>\$ 465,000</u>	<u>\$ 329,000</u>	<u>\$1,798,000</u>
Average Civilian Wages	\$25,000	\$21,000	\$24,000	\$24,000
Average Annual Sworn Salary	\$69,000	\$91,000	\$70,000	\$74,000
Source: Employee remuneration statements for 2004. Salaries & wages do not include City paid benefits and retirement so actual savings will be greater.				

Attachment D – 3 notes the civilian and Police Officer duties as determined by interviews with staff and observations on various occasions. The Police Officers indicated that their “presence” is necessary for security. They were not observed patrolling the facility during the audit field visits, and they appeared to remain inside the office. Few were seen in uniform, which is allowed under SAPD SOP – 201.02.3, even though the City compensates them with a uniform allowance. When asked about arrests, a Sergeant indicated that approximately thirty arrests occur per year; typically, a Patrol Officer is dispatched to make an arrest at the impound lot. While the Police were not observed performing routine row checks and inspections as required by SOP 128.01.C, a log was available that appeared to document each review.

Usually, a shift has two Police Officers and a Sergeant on duty. Two Sergeants have been working overtime to make up for an unfilled Sergeant position on the 11 pm to 7 am shift. Per the Collective Bargaining Agreement, Sergeants are required to supervise the Police Officers – two on the second shift and three on the third. There is a day shift Police Officer designated to auction vehicles each week on Wednesday which requires about four hours. Based upon observations during site visits, job responsibilities related to the Wrecker Services Unit were assigned to Police Officers even though the tasks were administrative or analytical.

General Management Consultants, Berkshire Advisors, Inc.¹ performed a management and efficiency study for the Dallas Police Department in September 2004. The consultants recommended the civilianization of the auto impound because the Police Officer's skills are not needed to perform impounding duties.

Risks

VSU profitability is constrained by the use of up to fifteen Police Officers to perform duties that do not require their public safety training. The City may be missing opportunities to better serve the public by using these well trained Police Officers on more high risk assignments.

Using civilian personnel with high level business skills and training could result in improved processes and efficiencies.

Recommendations

The City Manager should have the Chief of Police reassign VSU Police Officers to duties where their experience and training will be used on specific public safety activities which should also result in a cost/benefit to the taxpayers.

The City Manager should reorganize the VSU to operate with only civilian personnel if the entire operation is not out sourced.

¹ Dallas Police Department Management and Efficiency Study, Prepared by Berkshire Advisors, Inc., Team Phillips Incorporated and the National Organization of Black Law Enforcement Executives; September 2004. Source: www.dallascityhall.com/dallas/eng/html/management_and_efficiency_stud

5. Observation - Auction Function Performance Issues

The auction function is not efficient, and opportunities for revenue are missed. Auction staff perform responsibilities that are redundant and do not appear to add value. Six to eight civilians and two Police Officers spend time researching/verifying information on the Impound Inspection Card (IIC). These tasks are performed multiple times per vehicle by at least two employees before a vehicle is auctioned, or converted for City use. These repetitive practices contribute to the delay in vehicles being auctioned which reduces the potential proceeds.

The weekly auction is not widely advertised, and is held mid-week during the morning. Both of which would tend to limit the pool of prospective buyers. Currently, the vehicles to be auctioned are posted on the City's web site, and no other form of outreach is made to the public. The recurring buyers appear to represent used vehicle sales; auto parts salvage businesses, and recycling/dismantling operators. Police Department and VSU Managements' philosophy about the auction process was to get the vehicles off of the impound lot regardless of the bid price. The Police Officers handling the auction do not appear to have any expertise in establishing opening prices for live public auctions.

Controls for the cash and accounting of the auction proceeds are not effective because the facility does not have a cash register. Hundreds of green cards that are printed by the City's Information Technology Department are manually cut with scissors by VSU staff prior to the auction. They are tallied to balance cash receipts after the sale. Staff enters the sale information into VIMS and a multi-copy receipt is printed which serves as the customers bill of sale. All of these forms are attached to a memo prepared by VSU and SAPD Management showing the total auction proceeds. This memo does not include asset seizure sales or property given at no charge to dismantling firms.

For the nineteen months ending April 2005, VSU sold 8,522 vehicles/property; the average auction proceeds received amounted to \$350. **Attachments C - 1 and C - 2** provide more information about the distribution of the auction proceeds and as compared with the age of the vehicles sold. Essentially, 5,800 vehicles, or 68 percent of those auctioned, accounted for about \$844,000 of the total proceeds; however, they were sold for \$350 or less each. **Attachment C - 3** summarizes information regarding the top twenty auction buyers during the audit test period; there were slightly over 1,200 different individuals or firms who participated in the auctions during this time.

For this audit, other cities were contacted to compare their auction processes with San Antonio. **Exhibit I** on page 15 summarizes this information. It appears that some cities outsource the auction function or conduct an online process. Auctioneer costs can be passed on to the buyers. Some auctioneers advertise in conjunction with cities to attract more bidders and to generate higher sales prices. Many auctioneers handle the advertising, the accounting for auction proceeds, and the issuing of a Bill of Sale. Payment is then made to the city for its share of the proceeds.

For example, Kansas City's auctioneer charges the buyer \$7 per vehicle and the city five percent of total proceeds. The City of Austin's auctioneer charges \$25 per vehicle which is passed on to the buyer.

Risks

The City of San Antonio's current abandoned vehicle auction practices do not result in receiving proceeds from these sales in a timely manner and for a reasonable amount. Revenue opportunities are missed by:

- Not placing vehicles for auction at the earliest possible date;
- Not properly managing the inventory of vehicles/property on the lots;
- Not broadly advertising the auctions to attract more retail buyers;
- Not conducting the auctions at times more convenient to the general public; and
- Not using professional auctioneers to facilitate a competitive bidding environment.

The City is also incurring costs due to outdated and redundant business processes related to the auction function.

Recommendations

The City Manager should consider outsourcing the auction function completely, or at least using a professional auctioneer for the public sales.

The City Manager should require improved advertising methods to attract a larger pool of potential buyers, and that vehicles are ready to auction on/or near the 25th day of impoundment. Reports of the property held beyond the 25th day should be generated and reviewed by VSU management and the reasons for delayed sales should be documented.

6. Observation - Reliability of VIMS Data Records

The Vehicle Impound System (VIMS) is a mainframe application developed in 1986 to provide a systematic way to account for impounded vehicles in the City of San Antonio. VIMS is the detailed accounting transaction system used by VSU to calculate applicable fees, collection of fees and maintain general information related to the impound activities. The system provides various daily and monthly reports related to VSU activities.

A file of VIMS data was extracted on July 14, 2005. An analysis of the assign number field in the VIMS data file showed that 115,465 Impound Inspection Cards (IIC) between October 1, 1995 and July 14, 2005 were apparently not entered into VIMS; refer to **Attachment E** for more details. The assign number field is a sequential control number provided for each transaction. These numbers originate from preprinted IIC with sequentially assigned numbers. These IIC forms are prenumbered for control purposes, and it is important that these cards be secured so that they can not be used inappropriately.

For the nineteen month audit period, twenty-six IIC numbers were not accounted for out of over 38,400 total records. During the audit, a duplicate assign number was identified. VSU staff corrected the record. This is also a sign of possible data integrity problems because it indicates that duplicate records are allowed in the system. It also means that staff has the ability to edit records without proper authorization. The substantial number of unaccounted for IIC records in the years prior to 2003 would indicate major problems with controlling and issuing the prenumbered forms. This could not be confirmed during the audit.

During the sequence number testing, eleven records were identified as out of sequence. The original entry date was changed on these records. Changing information on original input data is a sign of data integrity problems because it indicates that the system lacks controls to prevent data changes without proper documentation and approval. There is no audit trail of the event and why the change was required.

In addition, errors with data entry related to the assign number which is obtained from the IIC cards were identified. This field is an eight character length field; however, data less than eight characters is accepted by the system. This leaves the VIMS database vulnerable to input errors. The program does not have routine front-end validation checks on fields or data consistency checks.

For the condition described above, an accepted technology standard is the Control Objectives for Information and Related Technology (commonly referred to as CobiT) Control Objective: Monitoring 2.2 Timely Operation of Internal Controls. It specifies that to be relied on internal controls must promptly highlight errors and inconsistencies, and so that they can be corrected before they impact production and delivery of the data. Information regarding errors, inconsistencies and exceptions should be kept and systematically reported to management.

Testing of input application controls should be done to determine and to ensure that:

- Access restrictions exist to prevent changes of original input data, such as entry date;
- Consistency checks related to sequential numbers exist; and
- Data entry controls are present to prevent invalid data.

Risks

VIMS data substantially impacts the revenue and cash processes of the VSU operation. Weakness in application controls such as data entry can impact the ability to make sound management decisions and provide effective oversight of VSU operations.

Control problems and the age of VIMS suggest a high degree of risks for financial transactions. Using the ERM/SAP System may be an opportunity for risk mitigation if policies and procedures could be modified to effectively use the controls inherent to SAP.

Recommendations

The City Manager should ensure that VIMS application controls are reviewed using acceptable technology standards, and improved as soon as reasonably possible by the Information Technology Services Department (ITSD).

The City Manager should have a cost/benefit analysis performed ITSD Management of the VSU processes and transitioning them from VIMS to ERM/SAP System, or a suitable alternative.

The City Manager should require Police Department and VSU Management to immediately improve the standard operating procedures related to the:

- Securing of controlled forms, such as IIC;
- Reconciling VIMS data entry for all transactions by shift each day;
- Reporting reconciliation variances to the Police Chief or an alternate Department Director;
- Approving changes/updates to the application data;
- Verifying the appropriateness of data changes/updates; and
- Management oversight of the VIMS application and personnel using it.

7. Observation – Collect For Delinquent Parking Fines/Fees and Check For Outstanding Adjudicated Capias Warrants

Currently, it is the practice of the VSU to verify, at least annually, that bidders are not delinquent in paying their City property taxes before allowing them to bid on and/or buy an auctioned vehicle. This practice is mandated by the Municipal Code Part II, Article III, Section 25-43, as shown in **Exhibit R**.

Exhibit R – Municipal Code Part II. Article III

Sec. 25-43. Sale; bill of sale; persons prohibited from bidding.

The public auction provided for in section 25-16 shall be conducted at the place and hour designated in the notice and all sales shall be for cash. Said property shall be sold as is, and a bill of sale, if requested, shall be given to the purchaser but no title transfer or title papers of any nature shall be furnished. City employees or members of their immediate families shall not be permitted to bid on any of the above items and no person that is delinquent in the payment of city property taxes shall be permitted to bid on any of the above items nor shall any sale of said items be made to such person.

(Code 1959, § 32-17; Ord. No. 35224, § 4, 2-23-67)

A separate audit of the City's Municipal Court Department delinquent parking fines and fees was recently conducted which indicated a significant percentage of outstanding parking citations. One of the audit tests performed was to compare the Vehicle Impound Management System (VIMS) records to the Municipal Court's parking citation database using the vehicle identification number (VIN) and/or the license plate data.

VIMS data showed that 25,817 vehicles were released by VSU between October 1, 2003 and April 30, 2005. Of these, 7,452 appeared to have unpaid parking citations amounting to \$202,091. This was determined by matching the VIN or license plate with a vehicle that was released.

While the two databases reside on the same mainframe computer hardware in the Information Technology Services (ITS) Department, the application programs were developed at different times. It does not appear that the Police, Municipal Court and/or ITS Departments have considered interfacing these databases for purposes of leveraging the information.

Similarly, there is a Municipal Court database containing outstanding capias warrants for adjudicated cases. This application also resides on the same mainframe hardware, and it too was developed by City staff in the ITS Department. This system was not designed to interface with the parking application used by Municipal Court.

VSU Administrative Aides perform data entry for VIMS which means that they have computer terminals and communications connections to the mainframe in the ITS Department. This is the same media that would be used to access the two Municipal Court applications.

Risks

It appears that the City of San Antonio is not using this opportunity to leverage its' information assets to enhance revenue recoveries. Audit test work covering nineteen months showed the potential to collect \$202,091 in additional parking revenue for the City. Developing useful interfaces between the existing mainframe applications noted above may result in significant catch-up or one-time recoveries due to substantial amounts unpaid. The City should also see more timely future cash flow from parking citations.

Recommendations

The City Manager should initiate a change in the Municipal Code Part II, Article III, Section 25-43, to mandate checking for other unpaid City revenue including outstanding parking citations and warrants before releasing or selling impounded vehicles.

The City Manager should instruct various Departments to use existing technology capabilities to integrate the systems and/or to establish read-only access for the VSU staff.

The City Manager should require VSU Management to update the operating procedures to implement the technology integration changes. Initially, the Administrative Aides could be trained to manually check the parking citation database for unpaid amounts at the time of vehicle in-take rather than waiting until the owner comes to claim the vehicle. Staff should be able to query the system by combinations of license plate, VIN, and owner name and address. This task should be performed daily and responsibility could be shared among shifts so that no additional staff positions are needed.

For the longer term, the City Manager should have Police Information Systems Programming Support Staff and ITS Department evaluate the cost/benefit of developing more automated links between the two databases to assist the identification matching effort.

8. Observation - Request For Proposal Process (RFP) Was Inadequate

On June 10, 2005, the Police Department issued a RFP for the operation and maintenance of the VSU. The RFP focused on two segments of the business, the impound in-take and storage functions. It did not actively solicit proposals on the auction function. Only two responses were received for the RFP which could be an indication of the overall inadequacy of the process.

The most significant deficiencies noted concerning the RFP document and the process, include the following:

- Information in the RFP about the transfer of environmental hazard liability and remediation responsibility to the selected vendor was initially improper and incorrect.
- Insufficient VSU activity and financial data provided in the RFP for proposers to properly forecast their future revenue and operating costs.
- The RFP did not include information about the potential impact of state law changes as of September 1, 2005 for fees or for towing uninsured vehicles.
- RFP required proposers to incur costs for repairs and maintenance including those intentionally delayed by the City for years. As a result, the good faith effort plans presented were skewed by the first year capital costs for security and monitoring equipment.
- The RFP did not provide reasonable requirements to ensure that the City could access or rely on the security and monitoring system(s) to be installed by the proposers.
- The RFP did not require that the proposers meet the City's living wage standard for employee compensation.
- The RFP process did consider the need to recover expenses for security, auction and wrecker services contract monitoring which were not scoped for outsourcing.
- The RFP implied a priority allocation of funds received from releases and auctions that currently does not occur which was misleading for the proposers.
- The RFP process did not adequately address the segregation of duties requirements between the proposed VSU operator, the City auction staff, and the wrecker services contractor.
- The City's RFP did not consider the substantial financial investments already made related to the existing Vehicle Impound Management System (VIMS) and the ERM/SAP System.
- The RFP document did not sufficiently describe/address the VIMS database record structure used for the VSU operation; and how, or if, such data could be transferred to a new system to be selected by the proposers.
- There were no specific RFP requirements for the summary and detail data to be provided for proposer revenue and expense projections that were used to determine the annual payment guarantees to COSA.
- Proposers were not required by the RFP to submit financial statements prepared in accordance with generally accepted accounting requirements that were audited by an independent certified public accountant.

As a result of these collective issues, the City Manager and Council will not have reasonable and complete data from any proposer for making an informed business decision about the future of the VSU.

Risks

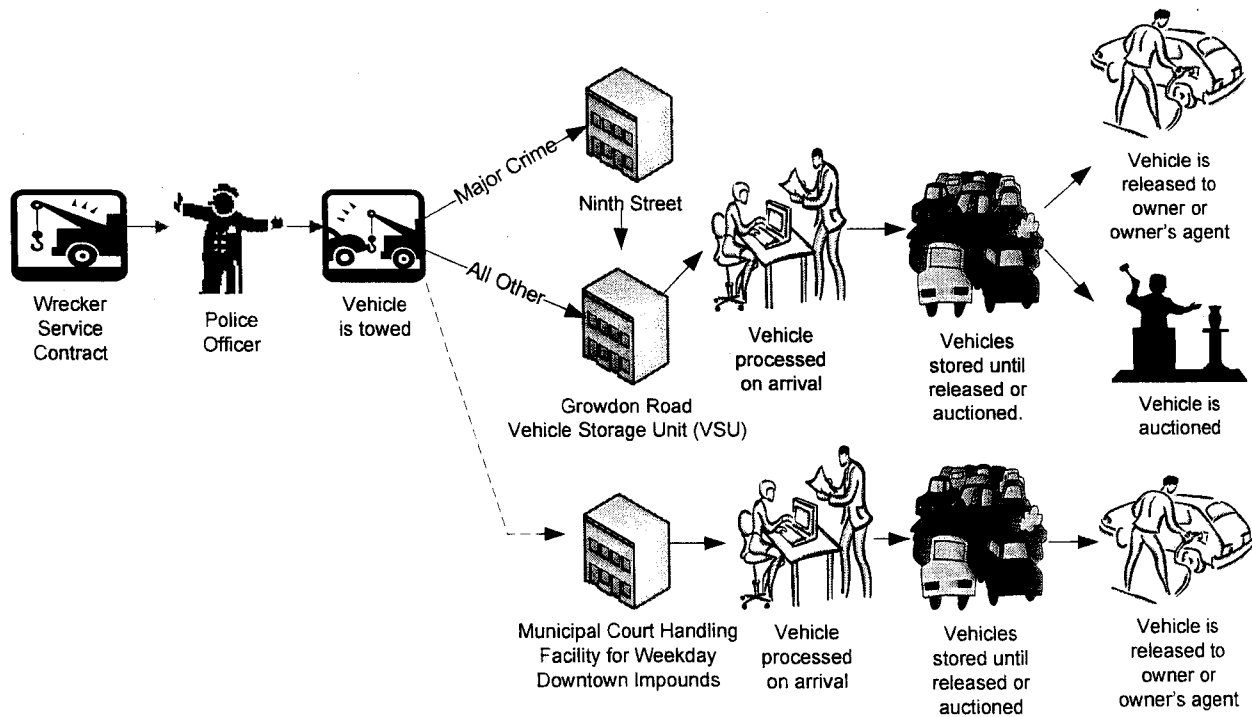
Any contract proposal process used by the City should provide sufficient and accurate data for proposers to formulate their responses. Also, the City should strive to receive a representative group of responses rather than just two. The process used for the VSU operation created unnecessary costs and time delay for the City. It similarly inconvenienced those who attempted to propose.

Recommendations

The City Manager and the City Council should not accept the responses for the current RFP. It is recommended that a new proposal request process be developed that is more thorough, complete, and broadly advertised.

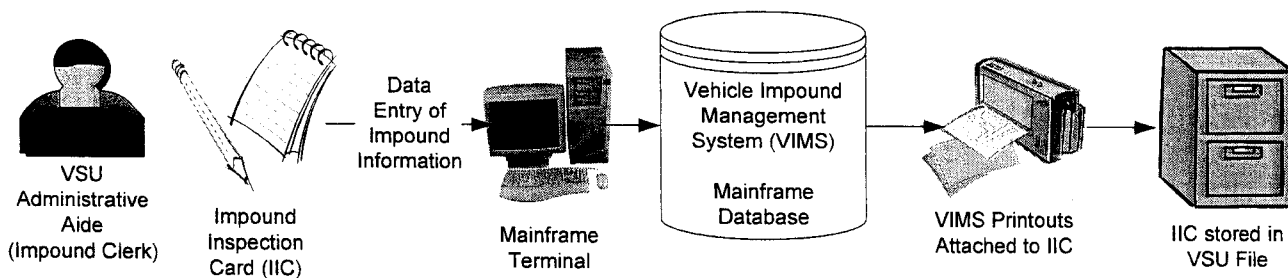
The City Manager should present Council with a comparison of the new RFP results with a complete analysis of the City's costs for the VSU and its related business operations. The City's costs should be developed to reflect using more highly qualified civilian personnel instead of Police Officers.

Attachment A – 1
Impound Facilities - Vehicle Storage Unit Operations
Overview of Physical Processes
As of June 30, 2005

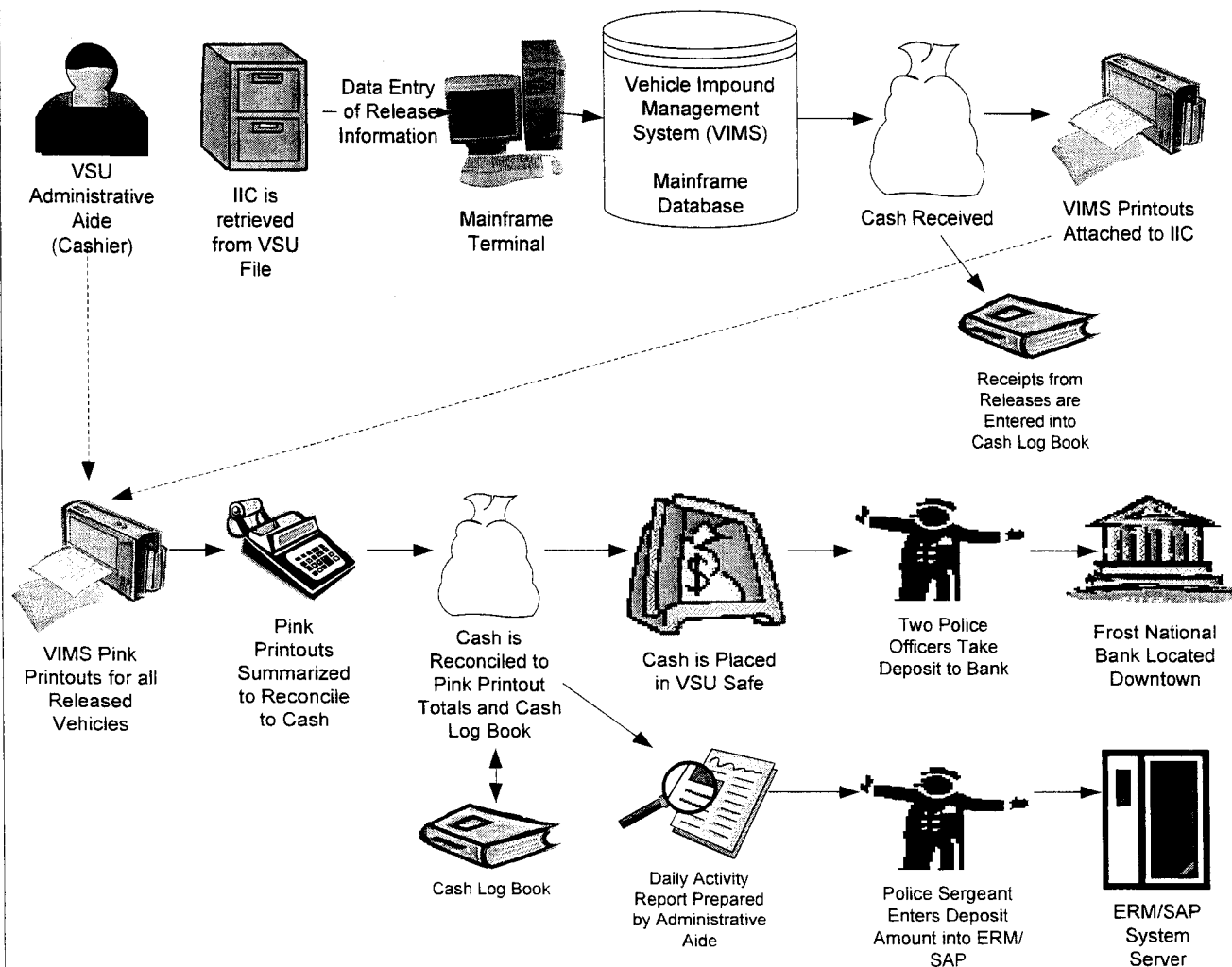


Attachment A – 2
Impound Facilities - Vehicle Storage Unit Operations
Overview of Transaction Processes
As of June 30, 2005

Impound



Release



Attachment B – 1

Impound Facilities - Vehicle Storage Unit Operations Summary of Monthly Overages and (Shortages) October 1, 2003 Through April 30, 2005						
Month/Year	Released Vehicle Data					Auction Data
	Daily Activity Reports to Deposits (DAR) (6)					Compare VIMS to Validated Deposits (7)
	Monthly Overage		Monthly (Shortage)		Compare VIMS (5) To DAR	
	Number	Value	Number	Value	Value	Value
October 2003	1	\$16	-	\$-		
November 2003	-	-	1	(30)		
December 2003	-	-	-	-		
January 2004	1	4	-	-		
February 2004	-	-	1	(10)	(\$2,000)**	\$50
March 2004	-	-	-	-		(100)
April 2004	-	-	-	-		(360)
May 2004	1	2	-	-		(100)
June 2004	-	-	-	-		
July 2004	-	-	-	-		(100)
August 2004	1	16	1	(188)	(1)	(10)
September 2004	1	16	1	(102)	(2)	
October 2004	1	3	-	-	20	
November 2004	1	2	1	(85)	(3)	
December 2004	-	-	-	-	20	
January 2005	1	7	-	-		
February 2005	-	-	1	(5)		
March 2005	-	-	1	(10)		
April 2005	1	5	1	(81)	(4)	
Total	9	\$71	8	(\$511)	(\$1,960)	(\$620)*
Error Rate:						
Number	<u>53%</u>		<u>47%</u>		<u>100%</u>	
Value		<u>12%</u>		<u>88%</u>		
Note:						
(1) to (4)	See B – 2 and B-4 below.					
(5)	Source: Daily Activity Reports prepared by Growdon Rd. staff. See Attachment B - 4.					
(6)	Source: VIMS test work.					
(7)	Source: Validated deposit slips.					
						* See Attachment B – 3.
						**See Attachment B – 6.

Attachment B – 2

Impound Facilities - Vehicle Storage Unit Operations Detail of Monthly Overages and (Shortages) for August 2004, September 2004, November 2004, and April 2005					
August 2004			September 2004		
Date	Overage	(Shortage)	Date	Overage	(Shortage)
8/12/2004	\$ 16.00	-	9/2/2004	\$ 16.00	\$ -
8/24/2004	-	\$ (20.00)	9/4/2004	-	(102.14)
8/31/2004	-	(167.69)	Total	<u>\$ 16.00</u>	<u>\$ (102.14)</u> (2)
Total	<u>\$ 16.00</u>	<u>\$ (187.69)</u> (1)			
November 2004			April 2005		
Date	Overage	(Shortage)	Date	Overage	(Shortage)
11/3/2004	\$ -	\$ (21.00)	4/4/2005	\$ -	\$ (37.78)
11/13/2004	2.12	-	4/8/2005	-	(0.04)
11/21/2004	-	(64.00)	4/10/2005	0.05	
Total	<u>\$ 2.12</u>	<u>\$ (85.00)</u> (3)	4/14/2005	-	(24.00)
			4/26/2005	-	(19.40)
			4/27/2005	5.00	
			Total	<u>\$ 5.05</u>	<u>\$ (81.22)</u> (4)
Source: Daily Activity Reports prepared by Growdon Road Staff.					

Attachment B - 3

**Impound Facilities - Vehicle Storage Unit Operations
Reconciliation of Auctioned Vehicle Proceeds
October 1, 2003 Through April 30, 2005**

<u>VIMS Data:</u>	<u>Amounts</u>	<u>Number of Vehicles or Items</u>
Auction Sales	\$ 2,981,097	
Auction Fees	<u>152,848</u>	
Total Auction Proceeds	3,133,945	8,522
Auction Receipts (cash)	<u>3,013,304</u>	<u>(8,404)</u>
Difference Between Sales and Receipts	<u>\$ 120,641</u>	<u>118</u>
<u>Summary of Difference:</u>		
Asset Seizure Vehicles ¹	\$ 118,478	60
Vehicles Transferred for City/Agency Use ²	341	21
Vehicles Transferred to Newell Salvage and VA Auto Sales	1,202	37
Net Cash Shortage ³ (See Attachment B - 1)	<u>620</u>	
	<u>\$ 120,641</u>	<u>118</u>

Note:

¹ The Police Department has an Asset Seizure Unit (ASU) that places seized vehicles at the VSU. These vehicles are input into the VIMS. The ASU auctions these vehicles once per month. The sales price of the vehicles is input into VIMS but the proceeds are not deposited with the VSU's daily cash. The ASU handles the cash deposit themselves. This practice creates a reconciling issue between VIMS sales and receipts. No audit work was performed in this area to determine the disposition of these monies.

² Vehicles transferred for City/Agency use and to salvage are input into VIMS for the sales price of \$1 plus the Auction Notification Fee of \$32 effective 9/04 (\$10 fee in effect 10/03 - 9/04). No money is exchanged.

³ Net cash shortage is not input into the ERM/SAP System. Cash shortages were \$670; Cash overages were \$50.

Source: VIMS. Data extracted July 14, 2005.

Attachment B - 4

**SAN ANTONIO POLICE DEPARTMENT
VEHICLE STORAGE UNIT
GROWDON ROAD FACILITY**

DAILY ACTIVITY REPORT

Tuesday, August 31, 2004

REVENUE

	YESTERDAY'S MONTHLY TOTAL	TODAY'S TOTAL	TOTALS THIS MONTH TO DATE
TOWING:	\$ 119,259.74	\$ 3,371.98	\$ 122,631.72
STORAGE:	\$ 77,009.94	\$ 1,560.00	\$ 78,569.94
TAX:	\$ 6,953.15	\$ 122.80	\$ 6,075.95
NOTIFICATION:	\$ 7,455.00	\$ 315.00	\$ 7,770.00
PARKING FEE:	\$ 0.00	\$ 0.00	\$ 0.00
BOOT FEE:	\$ 0.00	\$ 0.00	\$ 0.00
AIRPORT FEE:	\$ 0.00	\$ 0.00	\$ 0.00
OVERAGE:	\$ 16.00	\$ 0.00	\$ 16.00
SHORTAGE:	\$ 20.00	\$ 167.69	\$ 187.69

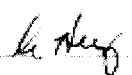
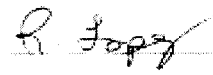
ACTIVITY

	YESTERDAY'S IMPOUNDS TO DATE	IMPOUNDS TODAY	TOTAL IMPOUNDS THIS MONTH	YESTERDAY'S RELEASES TO DATE	RELEASES TODAY	TOTAL RELEASES THIS MONTH
SHIFTS						
0700-1500	514	18	532	603	22	625
1500-2300	587	15	602	752	19	771
2300-0700	948	12	960	92	03	95
TOTALS	2049	45	2094	1447	44	1491

Summary
does not
display
auction
data.

(1)

Totals
reflect only
Released
Vehicles.

 #34
 #37
 Original to Senior Analyst

No date and time
of review. Illegible
approval.

Note (1): See Attachments B-1 and B-2.

Attachment B - 5

**SAN ANTONIO POLICE DEPARTMENT
VEHICLE STORAGE UNIT
GROWDON ROAD FACILITY**

DAILY ACTIVITY REPORT
Tuesday, December 03, 2002

REVENUE

	YESTERDAY'S MONTHLY TOTAL	TODAY'S TOTAL	TOTALS THIS MONTH TO DATE
TOWING:	\$ 6,400.50	\$ 3,947.00	\$ 10,347.50
STORAGE:	\$ 3,120.00	\$ 4,020.00	\$ 7,140.00
TAX:	\$ 245.61	\$ 316.55	\$
NOTIFICATION:	\$ 145.00	\$ 0.00	\$
PARKING FEE:	\$	\$ 0.00	\$
BOOT FEE:	\$	\$ 0.00	\$ 0.00
AIRPORT FEE:	\$	\$ 0.00	\$
OVERAGE:	\$ 0.00	\$ 0.00	\$
SHORTAGE:	\$ 0.00	\$ 0.00	\$

The \$540 difference is the result of the Notification Fees collected not being included on the DAR.

Balance as recorded per DAR \$8,284
Balance as recorded per VIMS \$8,824

The \$540 difference was not recorded as a reconciling item.

ACTIVITY

	YESTERDAY'S IMPOUNDS TO DATE	IMPOUNDS TODAY	TOTAL IMPOUNDS THIS MONTH	YESTERDAY'S RELEASES TO DATE	RELEASES TODAY	TOTAL RELEASES THIS MONTH
SHIFTS						
0700-1500	35	13	48	35	28	63
1500-2300	42	12	54	55	31	86
2300-0700	57	21	78	6	0	6
TOTALS	134	46	180	96	59	155

G. Hernandez #34
Employee Preparing Report

R. Lopez #37
Checked By *ALM*

Original to Senior Analyst

(REVISED 12-15-2001 TLW)

Attachment B - 6

**SAN ANTONIO POLICE DEPARTMENT
VEHICLE STORAGE UNIT
GROWDON ROAD FACILITY**

DAILY ACTIVITY REPORT

Friday, February 27, 2004

REVENUE

	YESTERDAY'S MONTHLY TOTAL	TODAY'S TOTAL	TOTALS THIS MONTH TO DATE
TOWING:	\$ 88,543.41	\$ 27,416.00	\$ 115,959.41
STORAGE:	\$ 66,870.00	\$ 2,640.00	\$ 69,510.00
TAX:	\$ 5,265.01	\$ 207.87	\$
NOTIFICATION:	\$ 6,435.00	\$ 345.00	\$
PARKING FEE:	\$	\$	\$
BOOT FEE:	\$	\$	\$
AIRPORT FEE:	\$	\$	\$
OVERAGE:	\$ 0.01	\$ 0.00	\$
SHORTAGE:	\$ 10.06	\$ 0.00	\$

The \$2,000 difference was isolated to Towing Fees. However, the difference was not isolated to a specific release.

Balance as recorded per
DAR \$30,609
Balance as recorded per
VIMS \$32,609
Difference = \$2,000

The \$2,000 difference was
not recorded as a
reconciling item.

ACTIVITY

	YESTERDAY'S IMPOUNDS TO DATE	IMPOUNDS TODAY	TOTAL IMPOUNDS THIS MONTH	YESTERDAY'S RELEASES TO DATE	RELEASES TODAY	TOTAL RELEASES THIS MONTH
SHIFTS						
0700-1500	357	14	371	533	24	557
1500-2300	428	22	450	625	26	651
2300-0700	721	27	748	76	03	79
TOTALS	1506	63	1569	1234	53	1287

[Signature]

#34

Employee Preparing Report

[Signature]

#37

Checked By

Original to Senior Analyst

(REVISED 12-15-2001 TLW)

Attachment B - 7

Cash Handling Procedures Compliance

VSU's Standard Operating Procedures require that cashiers follow the cash handling instructions and procedures in the City's Cash Handling Policy and Procedures Manual (Manual).

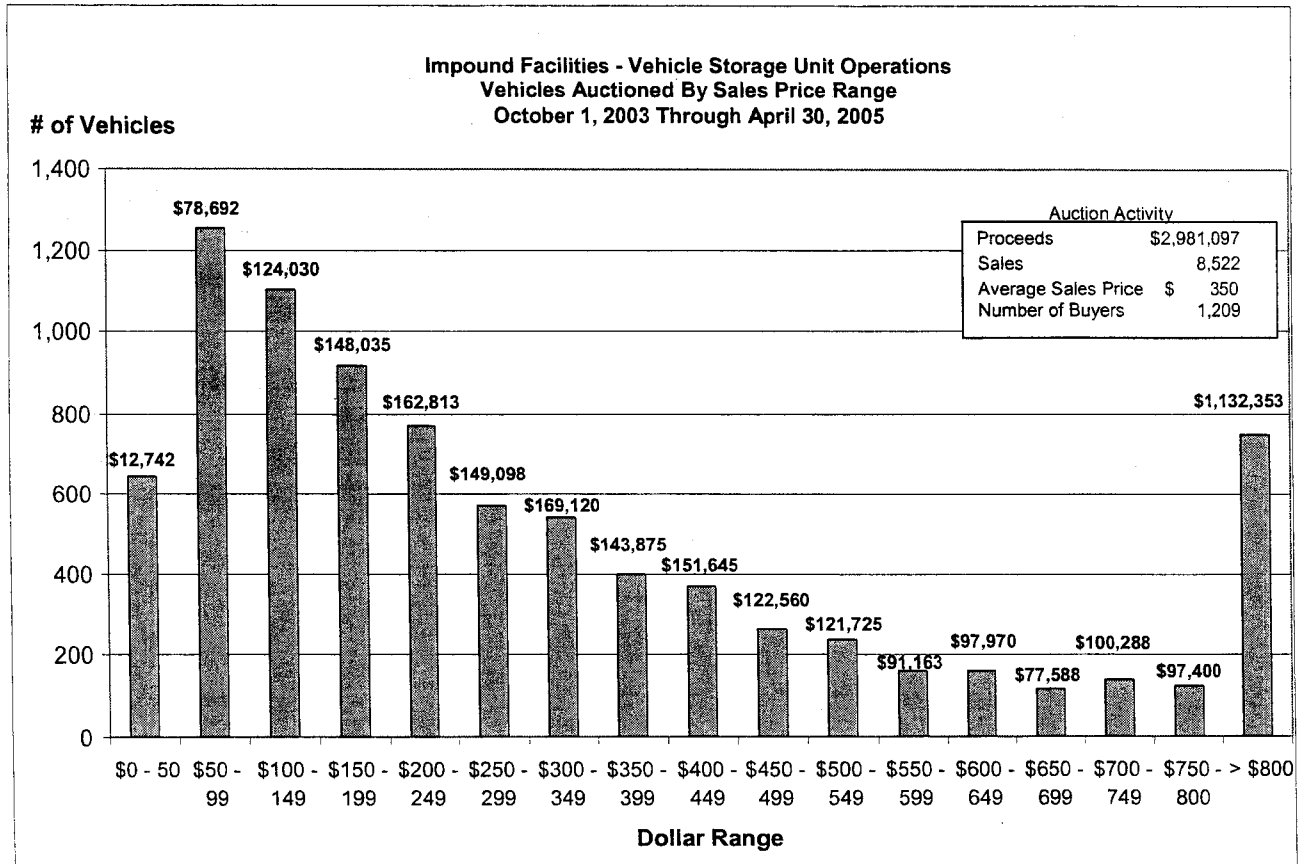
In conducting fieldwork, it was noted that some cash/cash equivalent handling procedures need to be enforced, reinforced or updated. The following practices or situations were observed:

- Between the Vehicle Impound Management System (VIMS) and the ERM/SAP System, there is neither a complete audit trail nor timely reports. It could not be determined whether daily receipts were deposited intact, i.e. total cash and checks collected agree to the total cash and checks deposited. VSU Staff cannot determine each shift's accountability from the VIMS until the next business day but even then cash receipts were not reconciled to VIMS.
- During the period starting October 1, 2003 and ending September 30, 2004, cash receipts were not deposited on a daily basis as required. A review of thirty-nine Daily Activity Reports revealed that the VSU's staff was not able to determine when the cash receipts were deposited to the City's bank account. The employee responsible for preparing these deposits was not adequately supervised which resulted in deposits being made in a commingled and inconsistent manner. As of October 1, 2004, the cash responsibilities were removed from this employee and assigned to the Growdon staff. Since the audit period, the cash receipts are being deposited to the City's bank account on a daily basis.
- There was no reconciliation between VIMS activity, the Daily Activity Reports (DAR), daily/routine bank deposits, and the Municipal Accounts Receivable & Receipts System (MARRS) prior to October 2004; and since going live in October 2004, the ERM/SAP System. Eighty-three auction deposits were tested and the following discrepancies were noted:
 - A deposit on September 30, 2004 contained a \$20 transposition error when posted to MARRS; however, it was never noticed and corrected.
 - Thirty-one deposits amounting to \$1,103,540 were not made timely. Twelve deposits for auction receipts were held between five to nine days after the auction. The remaining nineteen were deposited between two to four days after the auction.
 - There were six deposits made during the time period of October 2004 through January 2005 that were not posted to SAP for one to three months of the auction date. Also during this time period, Daily Activity Reports could not be reconciled to the deposits because of the untimeliness and commingling of multiple daily receipts into a single bank deposit.
 - There were two deposits posted to the MARRS for which there was no Listed Vehicles Report or Deposit Slip available for review.
 - Of sixty randomly selected Daily Activity Reports tested, there was a \$20 overage/difference in total between the reports and VIMS.
- DAR for the last day of each month was reviewed from October 2002 through May 2005. Nine of thirty-one DAR did not agree with the cash receipts as recorded in VIMS. December 3, 2002 reflected a shortage of \$540 between the cash log, DAR, and VIMS that was not reported VSU. February 27, 2004, reflected a shortage of \$2,000 between the cash log, DAR, and VIMS that was not reported VSU.
- VIMS provides a daily printout, known as the "Daily Accounting Report/Texas Towing", which is used to reconcile the daily cash receipts
 - A review of 21 Daily Activity Reports for the period starting October 1, 2004 and ending April 30, 2005 indicated that the "Daily Accounting Report/Texas Towing" reconciliation was not completed in all instances.
 - The report has not been completed since the Administrative Assistant's duties were reassigned in October 2004 but is a necessary internal control. The report was sent to the 9th Street Office by ITSD, but it was never forwarded to the Growdon Impound for completion.

Attachment B – 7 Continued:

- The Auction Team counts receipts in view of the public.
- Overages and shortages were not recorded separately; revenue was reported as the net of total daily cash receipts. During the period October 1, 2003 through April 30, 2005:
 - There were nine instances (months) of overages for \$71, and eight instances (months) of shortages for \$511 related to releases reported on the DAR.
 - There were two days that DAR shortages were significant; August 31, 2004 amounted to \$167.69, and September 4, 2004 was \$102.14.
 - Auction receipts, which are not included in the DAR, had four instances with shortages totaling \$660. Auction receipts for April 14, 2004 were short \$360 with three other auction dates each short \$100.
- Checks were not endorsed upon receipt as the Manual requires. The next business day's 7 am – 3 pm shift endorses the previous day's checks and prepares the deposit.
- There is not an electronic cash register; and the cash drawer used does not lock.
- Growdon is using its \$1,100 Petty Cash Fund as a Change Fund which policy prohibits.

Attachment C – 1



Source: VIMS. Data extracted July 14, 2005.

Attachment C – 2

Impound Facilities - Vehicle Storage Unit Operations
Analysis of Vehicles Sold By Auction
 October 1, 2003 Through April 30, 2005

Vehicle Year	Sales Price Dollar Range					
	≤ \$350		> \$350		Total	
	Total	Vehicle	Total	Vehicle	Total	Vehicle
Prior 1990	\$ 454,909	3,477	\$ 368,351	651	\$ 823,260	4,128
1990	60,795	424	99,435	151	160,230	575
1991	65,741	428	122,350	189	188,091	617
1992	59,560	356	157,360	231	216,920	587
1993	58,310	347	174,375	227	232,685	574
1994	52,226	280	185,325	249	237,551	529
1995	37,616	195	220,973	271	258,589	466
1996	20,964	109	173,875	203	194,839	312
1997	12,706	66	184,275	183	196,981	249
1998	6,656	35	127,325	115	133,981	150
Subtotal	\$829,483	5,717	\$1,813,644	2,470	\$2,643,127	8,187
1999	6,207	35	93,175	79	99,382	114
2000	3,510	21	99,998	84	103,508	105
2001	3,750	18	54,650	46	58,400	64
2002	980	6	36,375	26	37,355	32
2003	-	-	28,775	14	28,775	14
2004	600	3	9,950	3	10,550	6
Subtotal	\$15,047	83	\$322,923	252	\$337,970	335
Totals	\$ 844,530	5,800	\$ 2,136,567	2,722	\$2,981,097	8,522
As a percentage of Total dollars			72%		100%	
As a Percentage of Total Volume			32%		100%	
		68%				

Source: VIMS. Data extracted July 14, 2005.

Attachment C – 3

Impound Facilities - Vehicle Storage Unit Operations Analysis of Significant Buyers October 1, 2003 Through April 30, 2005					
VIMS Data			Calculated By Auditors		
Buyers Name	Auction Amount	# of Vehicles	Auction Amount	Vehicles Sold	Average Sales Price
Eagle Pass Auto Wrecker	\$ 100,025	302	3.4%	3.5%	\$ 331
Nick Auto Parts	86,684	498	2.9%	5.9%	174
All Auto Parts	75,955	160	2.6%	1.9%	475
Pick and Pull	49,630	421	1.7%	4.9%	118
David Auto Parts	45,405	172	1.5%	2.0%	264
Thompson, L H	39,326	47	1.3%	0.6%	837
Palomares, Juan Telle	36,125	173	1.2%	2.0%	209
Lopez, Jose	36,100	65	1.2%	0.8%	555
Trevino-Terrazas, Ri	35,385	51	1.2%	0.6%	694
Flores Auto Wrecking	32,750	92	1.1%	1.1%	356
A Lots of Parts	30,450	65	1.0%	0.8%	468
VA Auto Sales, Inc	28,233	96	0.9%	1.1%	294
Cruz, Hipolito Jamie	26,850	27	0.9%	0.3%	994
Vasquez, Cesar Delar	26,350	20	0.9%	0.2%	1,318
Ayala, Michael	24,650	87	0.8%	1.0%	283
Juarez, Frank	21,425	48	0.7%	0.6%	446
Frankies Auto Repair	21,225	149	0.7%	1.7%	142
Robledo, Abraham	20,725	42	0.7%	0.5%	493
Castellanos, Luis	20,025	97	0.7%	1.1%	206
Perez, Lorenzo	20,025	17	0.7%	0.2%	1,178
Subtotal Top 20	20 777,343	2,629	26.1%	30.8%	296
All Other Buyers, 1,189	\$ 2,203,754	5,893	73.9%	69.2%	\$ 374
TOTALS 1,209	\$ 2,981,097	8,522	100.0%	100.0%	\$ 350

Source: VIMS. Data extracted July 14, 2005.

Attachment D - 1
Procedure and Risk Assessment
Sorted by Control Risk

Internal Control Expectations					
EE - Exceeds Expectations		ME - Meets Expectation	DNME - Does Not Meet Expectations		N/A - Did Not Review or Observe
SOP #	Procedure Description	Control Risk	SOP Content	Compliance	**Comments
120	Goals and Objectives	High	DNME	DNME	Goals and Objectives lack comprehensive management performance measures. It would be difficult to use current procedures as a basis for judging performance.
122	Activity and Revenue Reports	High	DNME	DNME	Procedures do not include reconciliation between cash receipts, VIMS and deposits. Auction Receipts should be added.
203	Applicable Fees	High	DNME	DNME	Procedures do not include reconciliation between cash receipts, VIMS, DARS, and deposits.
204	Vehicle Impound Management System (VIMS)	High	DNME	DNME	information input into VIMS. The system has not been updated, modified, or replaced to increase operational efficiency.
205	Vehicle Impound/Release Procedure	High	DNME	DNME	Verification procedures should be incorporated to ensure that information is properly transferred from the IIC into VIMS. Proper ID is not always provided prior to releasing vehicles. IICs are not always time stamped when escorting customers.
206	Collection and Accountability of Fees	High	DNME	DNME	Unapproved methods of payments are accepted. Cash receipts are not reconciled between DARS, VIMS and bank deposits. Procedures do not address the accounting for vehicles sold/transferred for/to other departments.
207	Adjusted Charges	High	DNME	DNME	Authorization and reason for adjustment is not always recorded in VIMS.
208	Vehicle Holds	High	DNME	DNME	Procedures should segregate the processes of placing and removing a Hold. Staff that input Hold information should not be allowed to remove the Holds.
210	Auction Procedure	High	DNME	DNME	No procedures for accounting for fees or sales of vehicle for other City departments. Procedures are redundant. Procedures for Destroying Vehicles should be updated to reflect current practice.
211	Unit Finance Procedure	High	DNME	DNME	Procedures do not reflect current practices. Complete reconciliations are not performed and deposits are not verified to the DARS, VIMS, or ERM/SAP.
219	Converting Vehicles to Agency Use	High	DNME	DNME	No audit trail for asset or documented authorization for sale or transfer.
119	File Management	High	DNME	ME	
	Emergency Operation In the Event of	High	DNME	N/A	
221	Power/Computer Failure				
117	S.O.P.. Manual Issuance/Revision	High	ME	DNME	
121	Budgetary Guidelines	High	ME	DNME	
128	Facility Security Plan	High	ME	DNME	
214	Towing Service Record (TSR)	High	ME	N/A	
216	Request For Payment Voucher	High	ME	N/A	
129	Training	Med	DNME	N/A	
124	Unit Overtime Policy	Med	DNME	N/A	
	Vehicles, Clothing, Communications	Med	ME	ME	
201	and Equipment				
	Discrepancy Report/TSR Daily	Med	ME	N/A	
215	Release Errors				
217	Wrecker Inspections	Med	ME	N/A	
218	Field Incident Scene Management	Med	ME	N/A	
	Authorized Admittance, Viewing at	Low	DNME	EE	
209	Storage Facility				
125	Substitute Employment	Low	DNME	N/A	
127	Unusual Occurrence Notification	Low	DNME	N/A	
118	Inventory Control (VSU Fixed Assets)	Low	ME	ME	
202	Applicable Codes and Abbreviations	Low	ME	ME	
123	Personnel Attendance	Low	ME	N/A	
126	Personnel Conduct	Low	ME	N/A	
130	Correspondence	Low	ME	N/A	
131	Use of Forms	Low	ME	N/A	
212	Complaints	Low	ME	N/A	
	Subcontractor/Wrecker Driver	Low	ME	N/A	
213	Application Process				
220	Auction Vehicle Inquiries	Low	ME	N/A	
	Private Property Towing Complaint	Low	N/A	N/A	
222	Follow-up				

**Comments are only made for "High Risk" assessments and "Does Not Meet Expectations" ratings for Internal Control Expectations.

Control Risk is determined by the potential loss and/or significance to the City if the procedures are not followed or performed correctly.

Source: Audit test work - body of knowledge collected, interviews, and observation.

Attachment D - 2
Procedural Compliance Assessment

Internal Control Expectations

EE - Exceeds Expectation ME - Meets Expectations DNME - Does Not Meet Expectations N/A - Did Not Review or Observe

Job Description Abbreviations

WS = Wrecker Service

SF = Storage Facility

VA = Vehicle Auction

SOP #	Job Descriptions	ERM/SAP Position Title	Control Risk	Interviews Conducted	SOP Content	Compliance	Comments
101	Unit Commander – Lieutenant	Police Lieutenant	High	1	ME	DNME	Actual and budgeted deficits, expenditures not controlled, revenues not maximized. VIMS not updated, modified, or replaced to increase efficiency and accountability. No accountability for performance.
103	WS Supervisor - Sergeant	Police Sergeant	High	1*	ME	ME	Contractor performance is not monitored to assess requests for rate increases.
104	WS Officer	Police Officer	High	2	ME	ME	Hazmat and 18-wheeler reimbursements are not addressed.
107	SF Supervisor – Sergeant /Daylight	Police Sergeant	High	1	DNME	DNME	Oversight over financial controls is not adequate.
108	SF Supervisor – Sergeant /Evening	Police Sergeant	High	1	DNME	DNME	Oversight over financial controls is not adequate.
110	SF Assistant – Civilian	Administrative Assistant	High	2	ME	DNME	SAPD SOP conflicts with City's basic job specifications.
112	VA Supervisor - Sergeant	Police Officer	High	*	ME	DNME	Redundant and inefficient processes have not been fixed.
113	VA Officer	Police Officer	High	1	DNME	DNME	Some duties are performed by civilians.
114	VA Assistant – Civilian	Administrative Assistant	High	1	DNME	ME	SAPD SOP conflicts with City's basic job specifications.
102	Unit Financial Assistant – Civilian	Administrative Assistant	Med	1	ME	DNME	SAPD SOP conflicts with City's basic job specifications.
105	WS Unit Administrative Aid – Civilian	Administrative Aide	Med	3**	DNME	ME	SAPD SOP conflicts with City's basic job specifications.
109	SF Officer	Police Officer	Med	3	DNME	DNME	Officers do not always assist civilians, deposits are not properly verified.
111	SF Clerk - Civilian	Administrative Aide	Med	8	ME	DNME	SAPD SOP conflicts with City's basic job specifications.
115	VA Aide – Civilian	Administrative Aide	Med	**	DNME	ME	SAPD SOP conflicts with City's basic job specifications.
106	WS Agent – Civilian	Transportation Inspector	Low	1	DNME	ME	SAPD SOP conflicts with City's basic job specifications.
116	Facility Equipment Operator – Civilian	Equipment Operator II	Low	2	DNME	ME	SAPD SOP conflicts with City's basic job specifications.
Total Interviews				<u>28</u>			

* and ** = Describes the same group of employees.

Control Risk is determined by the position's responsibilities in relation to the City's control environment and risk if the employee does not perform his duties adequately.

Source: Audit test work, interviews, and observation.

Impound Facilities - Vehicle Storage Unit Operations Growdon Road and Ninth Street Locations Job Responsibilities By Shift/Approved Positions Per Shift						
Staff Descriptions Of Job Assignments	Shift 1		Shift 2		Shift 3	
	Civilian	Sworn	Civilian	Sworn	Civilian	Sworn
<u>Administrative:</u>						
Monitor Office Supplies		✓				
Order Office Supplies	✓					
Monitor Budget	✓					
Answer Phones	✓		✓		✓	
Oversee the Destruction of Vehicles	✓					
Handle Damage Reports & Complaints	✓					
Oversee Collection of Police Event Fees	✓					
Inventory Fixed Assets		✓				
Fees						
Process Contract Payments	✓					
Process Tow Driver Applications	✓					
Input Auction Deposits to ERM/SAP System	✓		✓		✓	
Monitor Police Event Fees	✓	✓				
Reporting		✓		✓		
<u>Intake:</u>						
Cashier	✓		✓		✓	
Impound	✓		✓		✓	
Research Registration - NCIC & TCIC	✓		✓		✓	
Advertise for Unknown Owners	✓					
Send Out Notification Letters	✓		✓		✓	
<u>Releasing:</u>						
Cashier	✓		✓		✓	
Escort		✓	✓	✓	✓	✓
Release Holds	✓		✓		✓	
Process Repo Packages	✓		✓		✓	
Process Bill of Sale	✓					
Research Registration - NCIC ¹ & TCIC ²	✓		✓		✓	
<u>Auctions:</u>						
Set up Auction	✓					
Research Vehicles to be Sold	✓		✓		✓	
Auction Vehicles		✓				
Move Cars for Auction	✓					
Remove Inspection Stickers	✓		✓		✓	
Research Registration - NCIC ¹ & TCIC ²	✓		✓		✓	
<u>Monitor Wrecker Contract:</u>						
Inspect Wreckers - Random		✓				
Respond to 18-Wheel Roll-Overs	✓	✓				
Investigate Non-Consent Tows		✓				
Reconcile Contractor Charges and TSR						
<u>Discrepancies:</u>						
Follow Up on Tow Complaints	✓	✓				✓
<u>Supervision:</u>						
Supervise Uniformed Officers		✓		✓		
Supervise Civilians	✓	✓		✓		✓
<u>Security:</u>						
Inspect each row on the hour		✓		✓		✓
Take deposits to the bank		✓				
Source: Staff Interviews and Observation						

Attachment E

Impound Facilities - Vehicle Storage Unit Operations

VIMS Data Reliability Analysis

Data extracted as of July 14, 2005

Summary of VIMS Records In Impound Inspection Cards (IIC) For the period October 1, 1995 Through June 30, 2005			
Fiscal Year Impound Dates	Total Records	# of Unaccounted IIC Records	IIC Record Ranges
1995-1996	4,125	18,498	GR055255 - GR077877
1996-1997	1,896	9,182	GR077880 - GR088957
1996-1997	2,072	8,986	GR000008 - GR011065
1997-1998	2,773	13,146	GR011077 - GR026995
1997-1998	359	1,644	GR980003 - GR982005
1997-1998	665	2,964	GR270003 - GR273631
1998-1999	3,663	16,317	GR273639 - GR293618
1999-2000	4,127	15,803	GR293629 - GR313558
2000-2001	4,554	16,342	GR313566 - GR334462
2001-2002	9,625	12,545	GR334475 - GR356644
2002-2003	22,883	12	GR356645 - GR379539
2003-2004*	21,829	25	GR379540 - GR401393
2004-2005*	16,581	1	GR401394 - GR417975
Sub-Total	95,152		
Exceptions	12		See table below
Totals	95,164	115,465	

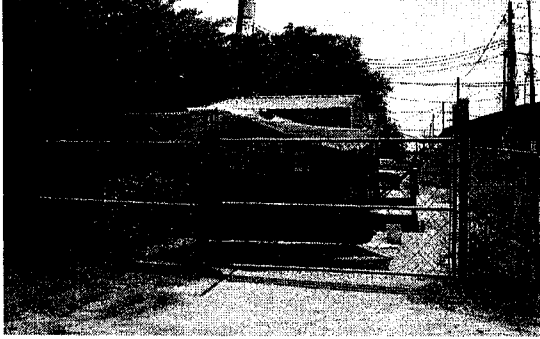
Summary of VIMS Records Exceptions In Impound Inspection Cards (IIC) For the period October 1, 1995 Through July 14, 2005		
GR Number	Updated Entry Date	Original Date Based on Assigned Sequence Number
GR07203	7/30/1997	GR # is missing a digit.
GR040740	2/15/1998	Sequence number before fiscal year 1995.
GR056793	10/25/1997	10/25/1995
GR300701	2/13/2001	2/13/2000
GR330646	7/26/2002	7/26/2001
GR331470	8/9/2002	8/9/2001
GR340631	1/14/2003	1/14/2002
GR343044	2/24/2003	2/24/2002
GR347880	5/14/2003	5/14/2002
GR353820	8/19/2003	8/19/2002
GR364597	3/29/2002	2/3/2003
GR375371	9/25/2002	7/28/2003
Total Exceptions		12

Summary of VIMS Records Exceptions In Impound Inspection Cards (IIC) For the period October 1, 2003 Through June 30, 2005			
Audit Period Only*	Total Records	Unaccounted Records	IIC Record (GR No.)
2003-2004	21,829	25	See above sequences missing.
2004-2005	16,581	1	
Sub-Total		26	
Duplicate Record		1	GR363194
Total IIC Records	38,410	27	

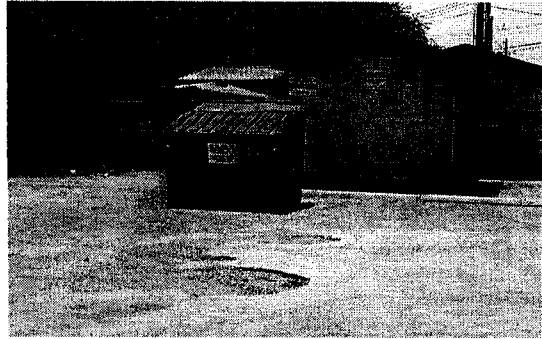
Attachment F – VSU Pictures

Lot surface and environmental issues

F – 1 – Auction office



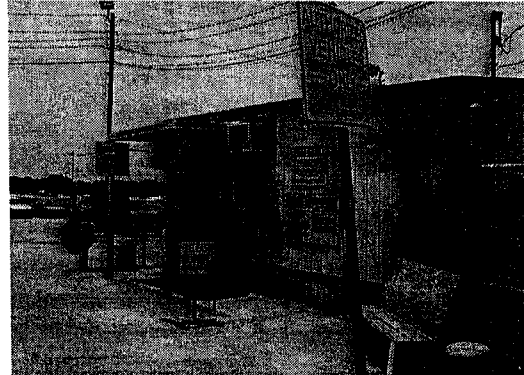
F – 2 – Lot Surface



F – 3 – Security



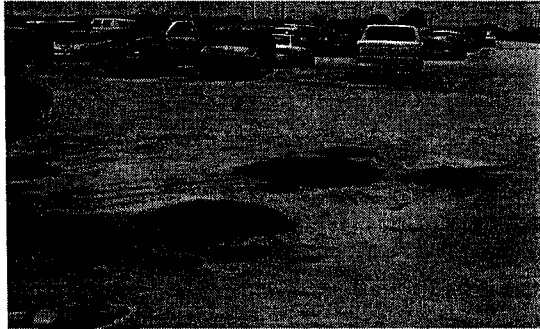
F – 4 - Public waiting area



F – 5 – Lot Surface



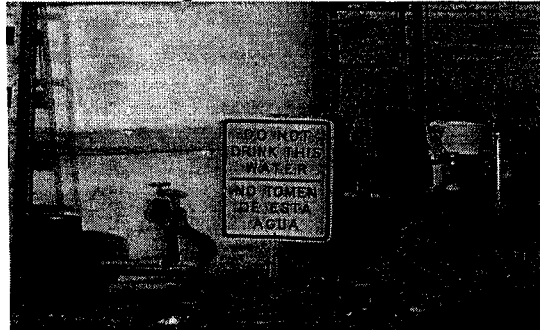
F – 6 – Environmental Issues



F – 7 – Environmental Issues



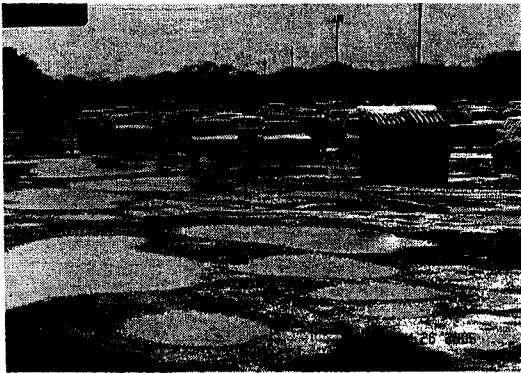
F – 8 – Working Conditions



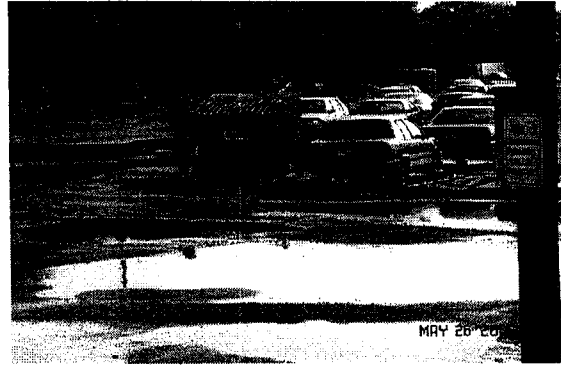
Attachment F – VSU Pictures

Drainage

F – 9 – Lot Surface/Drainage



**F – 10 – Lot Surface/Drainage
(Customers wading through water)**



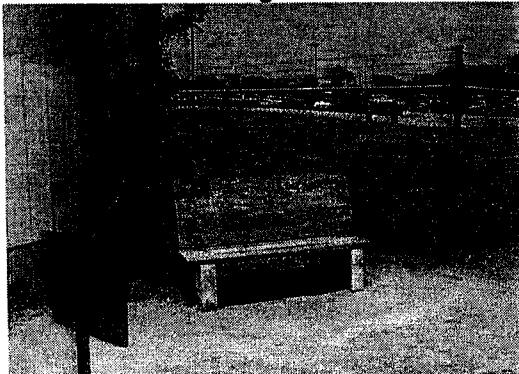
F – 11 – Lot Surface/Drainage



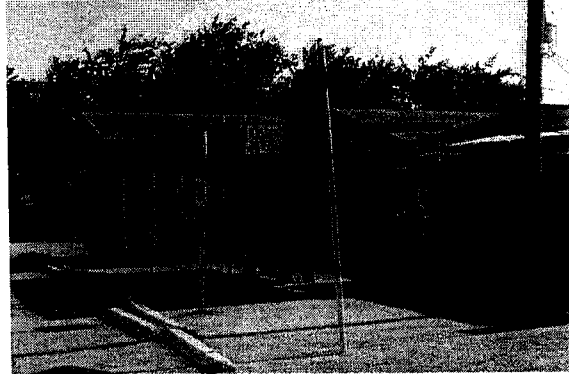
F – 12 – Lot Surface/Drainage/Auction



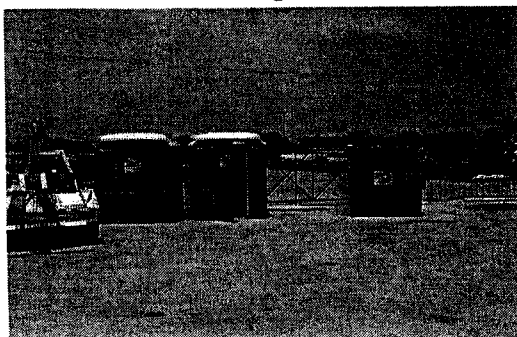
F – 13 - Public waiting area



F – 14 - Public waiting area/vending machines



F – 15 – Public waiting area/Restrooms



Employee Conditions

F – 16 - Supplies storage



Attachment F – VSU Pictures

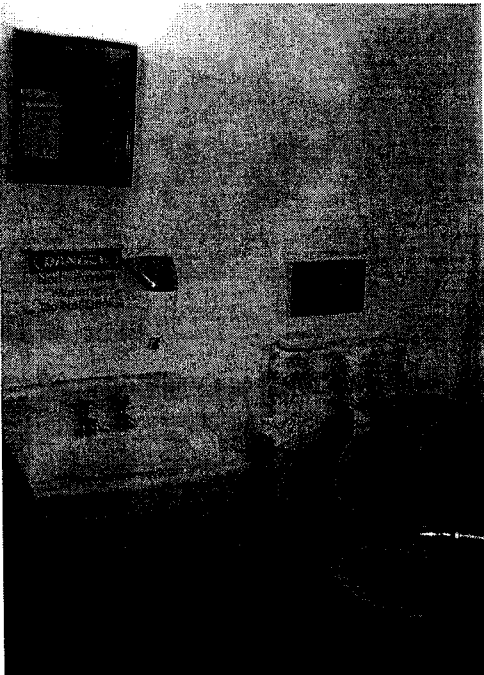
F – 17 – Bottled water/break room



F – 18 - Damaged floor



F – 19 - Men's Restroom

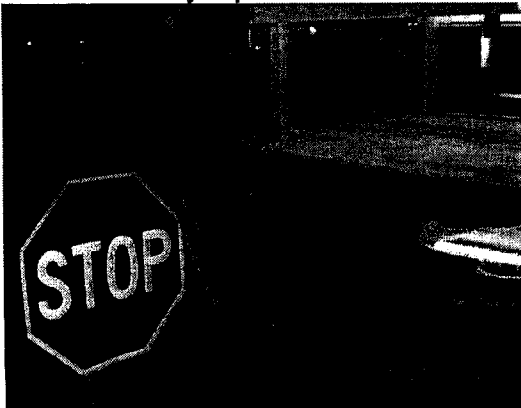


F – 20 - Women's restroom



Security

F – 21 - Security rope



F – 22 – Perimeter fence condition



ATTACHMENT G

RISK MANAGEMENT CAPABILITY MATRIX

In performing this audit, five risk management capabilities were considered for purposes of determining the Vehicle Storage Unit's operation risk to the City. The capabilities included: strategies, processes, people, technology, and information. Of these, four capabilities: strategies, process, people and technology were deemed the most applicable to this review. The matrix below outlines the characteristics of each capability needed for effective risk management:

Strategies Capabilities

Stage	Strategies/Objectives	Goals	Policies
Ad Hoc	No formal <i>strategies</i> or <i>objectives</i> exist.	Annual <i>goals</i> are either not developed, or are poorly communicated to employees.	<i>Policies</i> , if any, are broad and general.
Repeatable	Informal <i>strategies</i> or <i>objectives</i> exist, but are not broadly understood.	Annual <i>goals</i> are established, but are either not broadly understood or are assumed to apply only to management.	Some <i>policies</i> exist, but they are not consistently applied and enforced throughout the company.
Defined	Some formal <i>strategies</i> and <i>objectives</i> exist, but they are not aligned across different areas of the company.	Annual <i>goals</i> are well defined and understood, but measurement of goal achievement is not well understood or articulated.	<i>Policies</i> are well defined and communicated, but many are out-of-date or misaligned with current strategies and objectives.
Managed	Formal <i>strategies</i> and <i>objectives</i> exist and some measurements of success are established, but strategies and objectives are not consistently reviewed and updated based on changing business conditions.	Annual <i>goals</i> are formalized and measurable, but the goals are not reviewed periodically throughout the year to ensure they still align with the broader strategies and objectives of the company.	<i>Policies</i> are clear, generally current, and consistently enforced, but there is no articulation of management's broader risk-taking philosophy.
Optimized	<i>Strategies</i> and <i>objectives</i> are consistently reviewed and enhanced to ensure they remain current, and success is consistently measured and evaluated.	<i>Goals</i> are reviewed periodically throughout the year to ensure they continue to make sense and are consistently aligned with the company's goals.	<i>Policies</i> are consistently updated and enforced, and clearly outline management's overall risk tolerance.

Process Capabilities

Stage	Procedures	Controls and Process Improvements	Metrics
Ad Hoc	No formal <i>procedures</i> exist.	<i>Controls</i> are either non-existent, or are primarily reactionary after a "surprise" within the company.	There are no <i>metrics</i> or monitoring of performance.
Repeatable	Some standard <i>procedures</i> exist.	Detective <i>controls</i> are relied upon throughout the company.	Few performance <i>metrics</i> exist, thus there is infrequent monitoring of performance.
Defined	<i>Procedures</i> are well documented, but are not regularly updated to reflect changing business needs.	Both preventive and detective <i>controls</i> are employed throughout the company.	Some <i>metrics</i> are used, but monitoring of performance is primarily manual.
Managed	<i>Procedures</i> and <i>controls</i> are well documented and kept current.	Best practices and benchmarking are used to improve process in certain areas of the company.	Many <i>metrics</i> are used, with a blend of automated and manual monitoring of performance.
Optimized	<i>Processes</i> and <i>controls</i> are continuously reviewed and improved.	Extensive use of best practices and benchmarking throughout the company helps to continuously improve processes.	Comprehensive, defined performance <i>metrics</i> exist, with extensive automated monitoring of performance employed.

Source: Auditor's Risk Management Guide: Integrating Auditing and ERM by Paul J. Sobel, CPA, CIA

ATTACHMENT G (Continued)

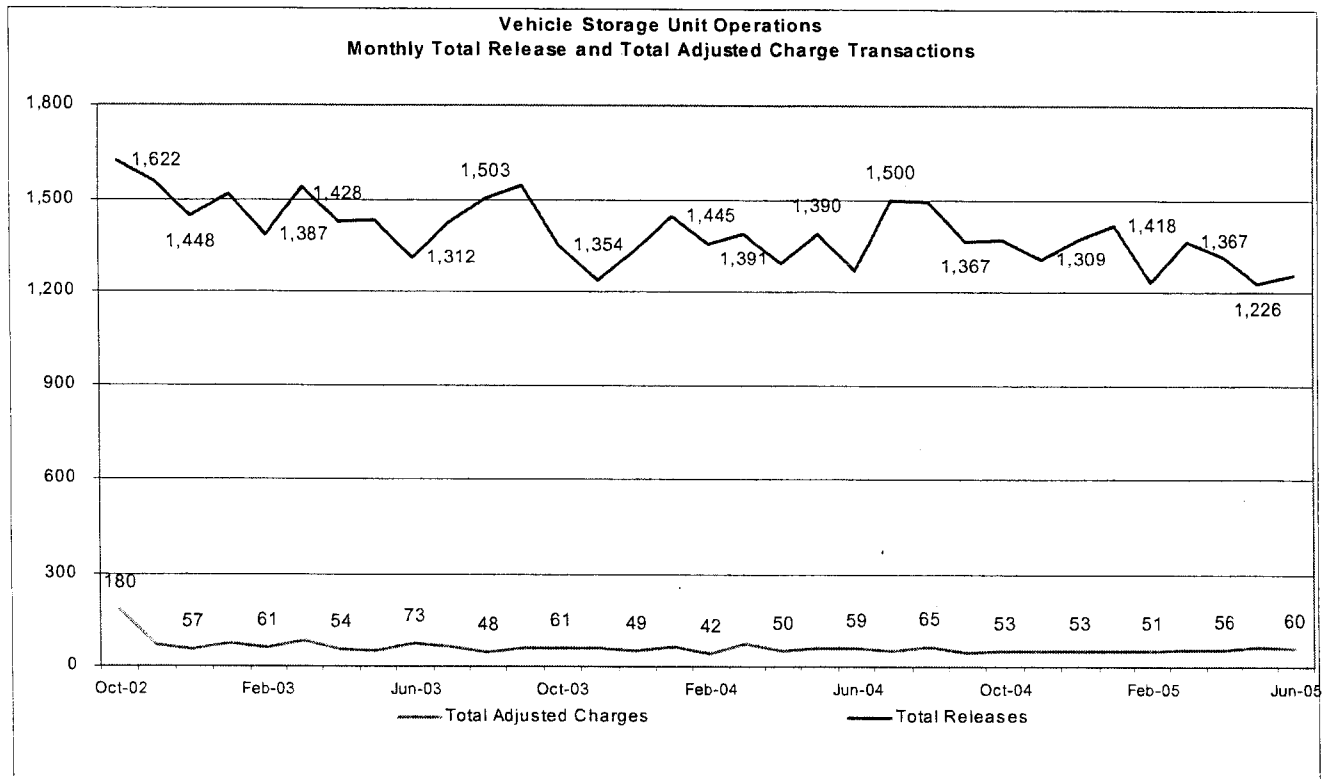
People Capabilities

Stage	Experience and Competence	Direction and Development	Authority and Accountability
Ad Hoc	<i>Inexperienced</i> personnel in most areas; no formal training programs are followed.	In most areas of the company there is little job guidance or other formal <i>direction</i> .	<i>Vague or conflicting authority and accountability</i> across business areas throughout the company.
Repeatable	<i>Competent</i> personnel in most areas; limited training; many functions tend to be under or over-resourced.	Some understanding of the basic job requirements in most areas, but still not much formal <i>direction</i> from management.	Lack of clear <i>authority and accountability</i> across business areas throughout the company.
Defined	<i>Experienced</i> personnel in most areas, but limited bench strength.	Job responsibilities and skill requirements are defined for all areas, but career <i>development</i> focus is lacking.	<i>Authority and accountability</i> are defined across the company, but not broadly or consistently understood by all affected areas.
Managed	<i>Strong</i> team in place with adequate bench strength in most areas.	A formal <i>development</i> program exists company-wide, with focus on both enhancing existing skills and developing new skills.	Clear articulation of <i>authority and accountability</i> , and consistent understanding among all affected areas.
Optimized	Formal succession planning and integrated resourcing program ensure <i>multiple sourcing options</i> for all key positions throughout the company.	Cross-training programs provide <i>job enrichment</i> opportunities for all employees and <i>multiple sourcing options</i> for all key positions.	A culture of empowerment engages employees throughout the company in exercising the <i>authority and accountability</i> they have been granted.

Technology Capabilities

Stage	Integration	Enhancements	Security
Ad Hoc	Limited, <i>stand-alone</i> systems and technology.	System and technology <i>enhancements</i> are rarely done unless they crash or are proven to be obsolete.	Lax to nonexistent technology infrastructure throughout the company for physical and logical <i>security</i> .
Repeatable	<i>Viable</i> , but <i>non-interfacing</i> systems and technology.	System and technology <i>enhancements</i> consistently trail business needs.	Limited technology infrastructure, resulting in inconsistent application of physical and logical <i>security</i> across the company.
Defined	Systems and technology are adequate to meet most of the company's current business needs, but most do not <i>interface</i> .	System and technology <i>enhancements</i> are typically reactive to business changes, but are implemented timely.	A formal technology infrastructure exists company-wide, but some physical and logical <i>security</i> exposures exist in certain areas.
Managed	Systems and technology are mostly <i>integrated</i> , effectively meeting most current business needs, and should be adequate in the near-term.	System and technology <i>enhancements</i> are planned to be proactive, and are generally implemented effectively.	A sound and formal technology infrastructure exists, and physical and logical <i>security</i> is generally effective throughout the company.
Optimized	Fully <i>integrated</i> systems and technology effectively enable the business and are generally considered a competitive advantage.	Systems and technology are <i>continuously improved</i> to maintain the competitive advantage.	A strong technology infrastructure exists, with best practice physical and logical <i>security</i> procedures operating throughout the company.

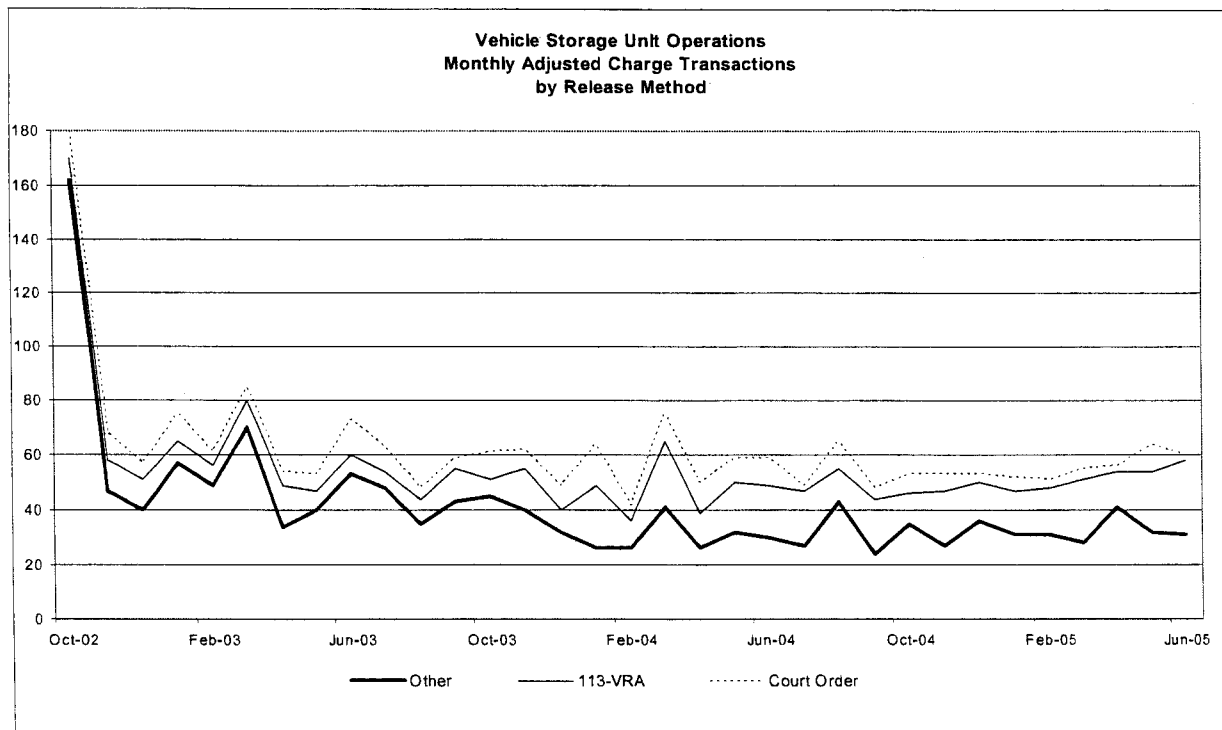
Attachment H – 1



Source: Releases - Daily Activity Reports Prepared By Growdon Staff and Vehicle Impound Management System (VIMS)
 Adjusted Method Type - Determined by audit staff through data analysis of VIMS release method description field.

Attachment H - 1 above was constructed to examine the pattern between adjustments and the number of releases each month. It shows that the relationship of the total adjusted charges to total releases has been fairly constant between three and five percent from November 2002 through June 2005.

Attachment H – 2



Source: Vehicle Impound Management System (VIMS)

Adjusted Method Type - Determined by audit staff through data analysis of VIMS release method description field.

Attachment H – 2 above shows a thirty-two month trend of the number of adjusted transactions. The number of adjustments has been fairly constant from November 2003 until June 2005 with an average of sixty-two adjusted transactions per month. It demonstrates that a greater number of adjusted charges are attributed to the "Other" category.

Attachment H – 3

With Adjusted Charges by Release Shift
For the period October 1, 2002 Through June 30, 2005

Fiscal Year	Release Shift	Form No. 113-VRA		Court Order		Other		Totals	
		Adjusted Charges	# of Records	Adjusted Charges	# of Records	Adjusted Charges	# of Records	Adjusted Charges	# of Records
2003	7am to 3 pm	\$ 14,374	40	\$ 81,339	50	\$ 107,121	267	\$ 202,835	357
2003	3pm to 11 pm	22,060	68	68,484	36	127,040	326	217,584	430
2003	11pm to 7 am	268	3	7,749	1	13,734	85	21,750	89
	Sub-Total	\$ 36,702	111	\$ 157,572	87	\$ 247,895	678	\$ 442,169	876
2004	7am to 3 pm	\$ 112,144	91	\$ 161,480	73	\$ 81,706	143	\$ 355,330	307
2004	3pm to 11 pm	62,028	94	46,721	30	63,046	172	171,794	296
2004	11pm to 7 am	373	3	-	-	6,192	77	6,565	80
	Sub-Total	\$ 174,544	188	\$ 208,201	103	\$ 150,944	392	\$ 533,689	683
2005 (1)	7am to 3 pm	\$ 29,639	73	\$ 35,442	28	\$ 41,932	112	\$ 107,013	213
2005 (1)	3pm to 11 pm	24,548	84	16,801	14	22,881	121	64,231	219
2005 (1)	11pm to 7 am	1,283	6	-	-	6,113	59	7,396	65
	Sub-Total	\$ 55,470	163	\$ 52,243	42	\$ 70,926	292	\$ 178,640	497
Totals - All		\$ 266,716	462	\$ 418,016	232	\$ 469,765	1,362	\$ 1,154,499	2,056

Note: (1) Data reviewed for Fiscal Year 2005 only includes the period of October 1, 2004 through June 30, 2005

Source: Vehicle Impound Management System extracted July 14, 2005

During the audit, an analysis of the "adjusted charges" by shift was performed to see if any patterns existed. **Attachment H - 3** shows that the number and amount of "adjusted charges" posted were greater during the second and third shifts, or after normal working hours. The third shift (11 pm to 7 am) is when the least segregation of duties among personnel releasing vehicles and making the adjustments caused the most concern. For this reason the documentation of what occurred and why it was done are so critical to the process. Also, VSU Management should have more thoroughly reviewed all adjustments during this shift to ensure their appropriateness and compliance with procedures.

Attachment H - 4

Summary of Released Records With Zero Amounts Collected By Release Shift For the period October 1, 2002 Through June 30, 2005									
Fiscal Year	Release Shift	Form No. 113-VRA		Court Order		Other		Totals	
		Adjusted Charges	# of Records	Adjusted Charges	# of Records	Adjusted Charges	# of Records	Adjusted Charges	# of Records
2003	7am to 3 pm	\$ 5,130	26	\$ 44,033	18	\$ 5,168	25	\$ 54,331	69
2003	3pm to 11 pm	10,488	48	4,513	8	24,835	31	39,836	87
2003	11pm to 7 am	268	3	-	-	5,382	67	5,650	70
	Sub-Total	\$ 15,886	77	\$ 48,546	26	\$ 35,385	123	\$ 99,817	226
2004	7am to 3 pm	\$ 27,495	39	\$ 70,426	23	\$ 53,465	30	\$ 151,386	92
2004	3pm to 11 pm	23,214	41	7,962	3	3,444	28	34,620	72
2004	11pm to 7 am	373	3	-	0	6,030	71	6,403	74
	Sub-Total	\$ 51,082	83	\$ 78,388	26	\$ 62,939	129	\$ 192,409	238
2005	(1) 7am to 3 pm	\$ 9,301	32	\$ 6,507	9	\$ 2,311	15	\$ 18,119	56
2005	(1) 3pm to 11 pm	8,273	37	465	2	2,738	16	11,476	55
2005	(1) 11pm to 7 am	314	3	-	0	5,827	53	6,142	56
	Sub-Total	\$ 17,888	72	\$ 6,972	11	\$ 10,876	84	\$ 35,737	167
Totals - Zero		\$ 84,855	232	\$ 133,906	63	\$ 109,200	336	\$ 327,963	631
Totals - All		\$ 266,716	462	\$ 418,016	232	\$ 469,765	1,362	\$ 1,154,498	2,056
% of Zero to Total All		32%	50%	32%	27%	23%	25%	28%	31%

Note: (1) Data reviewed for Fiscal Year 2005 only includes the period of October 1, 2004 through June 30, 2005
 Source: Vehicle Impound Management System extracted July 14, 2005

In evaluating the reasonableness of "adjusted charges" for this audit, VIMS data was checked to determine the number, amount, and the shift when no funds were recorded for released vehicles/property. The number of records showing no collected amounts was high during the third shift. However, these were generally small amounts and mainly for wrecker services, see **Attachment H - 4** above. The larger dollar value for adjustments and most of the court order transactions occurred during the day shift. There was no evidence that VSU or SAPD Management reviewed any of these adjustments during the audit period for appropriateness or reasonableness.

Attachment H – 5

Summary of Released Property Items									
With Zero Amounts Collected by Release Shift and Impound Reason									
For the period October 1, 2002 Through June 30, 2005									
Fiscal Year	Release Shift	Prisoner		Evidence		Other (2)		Total	
		Adjusted Charges	# of Records	Adjusted Charges	# of Records	Adjusted Charges	# of Records	Adjusted Charges	# of Records
2003	7am to 3 pm	\$ 31,822	14	\$ 1,979	11	\$ 20,530	44	\$ 54,331	69
2003	3pm to 11 pm	1,902	14	5,894	21	32,040	52	39,836	87
2003	11pm to 7 am	5,380	67	118	1	152	2	5,650	70
	Sub-Total	\$ 39,104	95	\$ 7,991	33	\$ 52,722	98	\$ 99,817	226
2004	7am to 3 pm	\$ 84,657	26	\$ 27,158	25	\$ 39,570	41	151,386	92
2004	3pm to 11 pm	6,403	22	10,696	16	17,521	34	34,620	72
2004	11pm to 7 am	6,192	72	-	-	211	2	6,403	74
	Sub-Total	\$ 97,252	120	\$ 37,854	41	\$ 57,302	77	\$ 192,409	238
2005	7am to 3 pm	\$ 1,926	9	\$ 6,487	19	\$ 9,706	28	18,119	56
2005	3pm to 11 pm	1,386	10	3,723	15	6,366	30	11,476	55
2005	11pm to 7 am	5,900	55	-	-	242	1	6,142	56
	Sub-Total	\$ 9,212	74	\$ 10,210	34	\$ 16,314	59	\$ 35,737	167
Totals		\$ 145,568	289	\$ 56,055	108	\$ 126,338	234	\$ 327,963	631
% of Totals		44%	46%	17%	17%	39%	37%	100%	100%

Note: (1) - Data reviewed for Fiscal Year 2005 only includes the period of October 1, 2004 through June 30, 2005.

(2) - Consist of the following impound reasons: Wrecked (40 records), Parking Violation (7 records), Recovered Stolen (56 records), Traffic Hazard (12 records), Forfeiture (1 record), Green Sticker (8 records), Miscellaneous (105 records) and Outside Stolen (5 records).

Source: Vehicle Impound Management System extracted July 14, 2005

To further understand the "adjusted charges", the VIMS data records were checked to see if there was a discernable pattern based on reasons for impounding a vehicle. Once again, the third shift appeared to have more adjustments for the full amount related to the "prisoner" reason for impounding, see **Attachment H – 5** above. The SOP states that an arresting Police Officer can authorize a vehicle's release at no charge to the owner/driver if the person is not arrested or booked. This could happen if a person were stopped for suspicion of driving while intoxicated which would result in bringing the individual to the downtown detention center and their vehicle to the VSU. If the person is released and not arrested then the Officer can contact Growdon Road to grant a no charge vehicle release. While this may seem reasonable and fair, this process has not been approved by a City Council ordinance. There are no written guidelines provided to assist the Police in making this determination or to facilitate VSU staff evaluating whether the action indicated is reasonable.

Attachment I – Dallas Automobile Impoundment Facility Pictures

I – 1 – Approaching Automobile Impound



I – 2 – Perimeter View



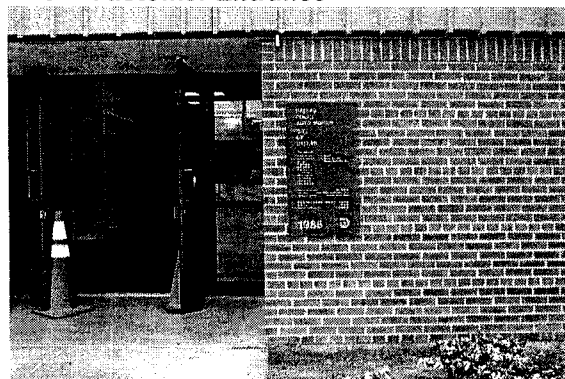
I – 3 – Vehicle Services Division Sign



I – 4 – Parking Lot View



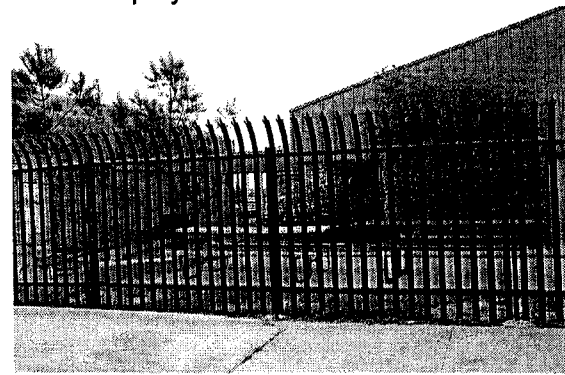
I – 5 – Customer Entrance



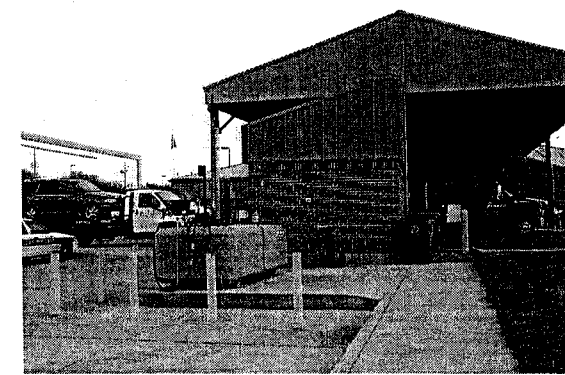
I – 6 – Tow Truck Check-In Station



I – 7 – Employee Break Area

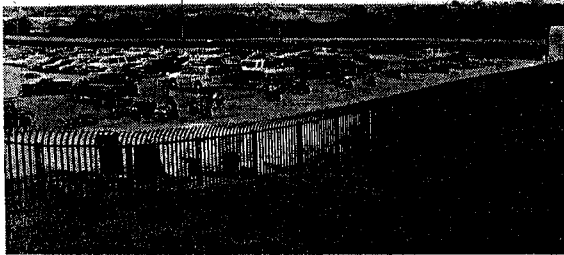


I – 8 – Check-In Station Side View

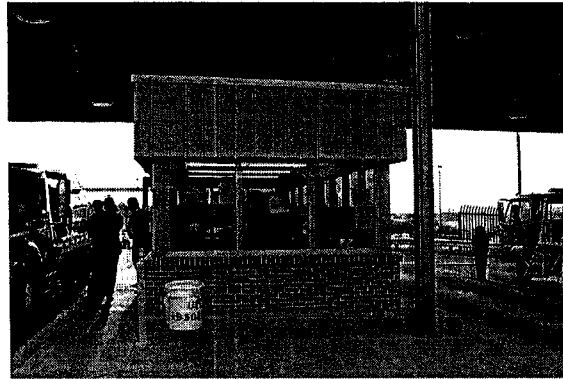


Attachment I – Dallas Automobile Impoundment Facility Pictures

I – 9 – Impound Lot Area



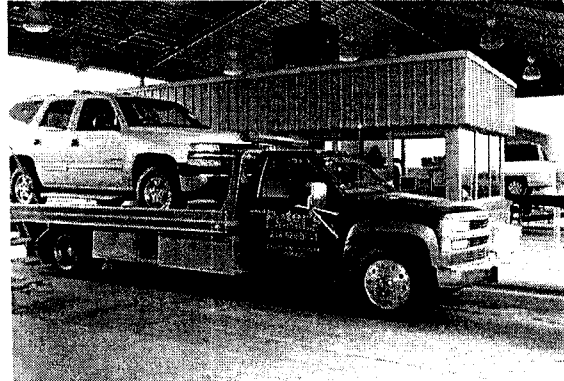
I – 10 – Check-in/Check-out Station



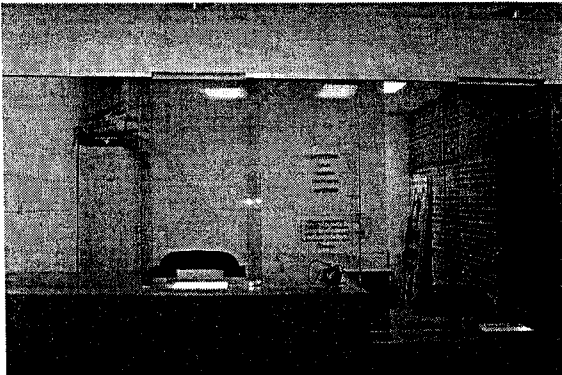
I – 11 – Lot Surface



I – 12 – Exit Tow



I – 13 – Auction Cashier Area



I – 14 – Customer Service / Cashier Windows



I – 15 – Customer Waiting Area



I – 16 – Outside View of Public Restrooms



Attachment I – Dallas Automobile Impoundment Facility Pictures

I – 17 – Inside View Public Restroom



I – 18 – Hand Held Electronic Data Device



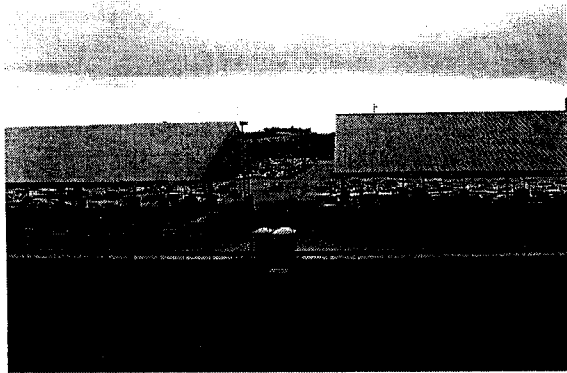
I – 19 – Public Parking Lot



I – 20 – Public Parking Lot



I – 21 – Impound Lot - Covered Storage



I – 22 – View of Impound Lot

